DOING BUSINESS

IN ARGENTINA

The network for doing business

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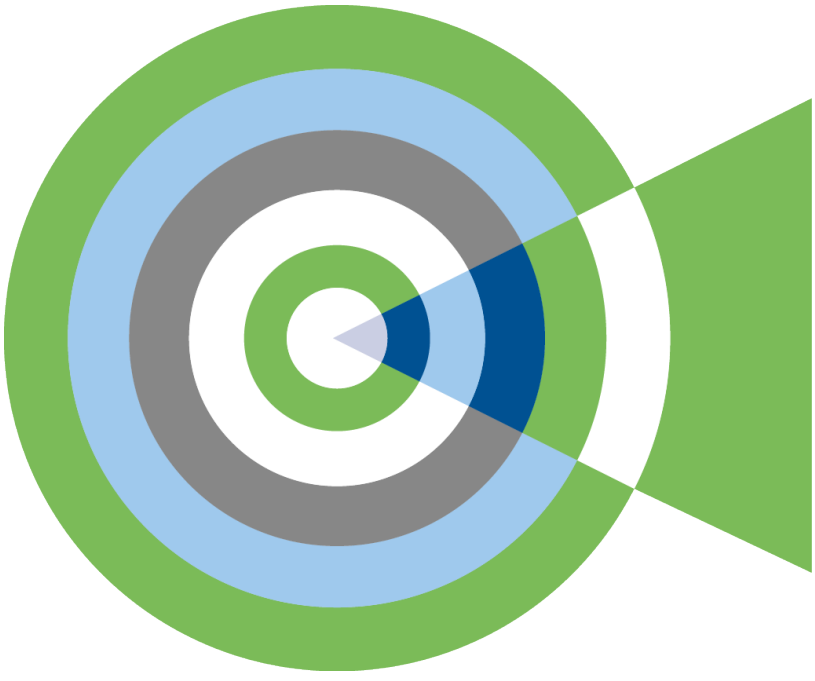

1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Argentina has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Argentina can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at December 2019.

We look forward to helping you do business in Argentina.

2 – BUSINESS ENVIRONMENT

GEOGRAPHY

Argentina is in the southern part of South America.

Excluding the Antarctic territories and South Atlantic islands, it covers 2.8 million square kilometres (1.1 million square miles). Argentine Antarctica and the South Atlantic islands account for another 970,000 square kilometres.

Argentina borders with Chile, Bolivia, Paraguay, Brazil and Uruguay, and has a long coastline along the South Atlantic Ocean.

Weather conditions range from the subtropical to sub Antarctic. Between these two extremes there is a wide climate belt perfectly suited for agriculture because of the richness and fertility of the soil and rainfall patterns.

HISTORY AND GOVERNMENT

Until 1810, Argentina was part of the Spanish Viceroyalty of River Plate.

In 1810, Argentina rose up against Spanish rule. After unsuccessful attempts to regain control, the Spaniards were finally defeated and independence was proclaimed on 9 July 1816.

Different governmental systems were in place until 1853 when the general assembly voted in the constitution. Amendments have been introduced, but this constitution has remained essentially the same since that time.

The constitution organises the country as a federal republic with 23 provinces and a federal capital (the city of Buenos Aires). The federal government consists of:

- The executive, headed by the president
- The legislative power (Congress), consisting of two chambers, the Senate and the Chamber of Deputies
- The judiciary, represented by the courts of justice, headed by the supreme court of justice.

DOMESTIC MARKET

POPULATION

Argentina has a population of 42 million people, mostly of Spanish and Italian descent. Almost 45% of the population live in the federal capital and the province of Buenos Aires.

The main and largest cities are Buenos Aires, Córdoba, Rosario, Santa Fé, Tucumán and Mendoza.

There is no conflict among people or minorities of different colour, race or religion.

LANGUAGE

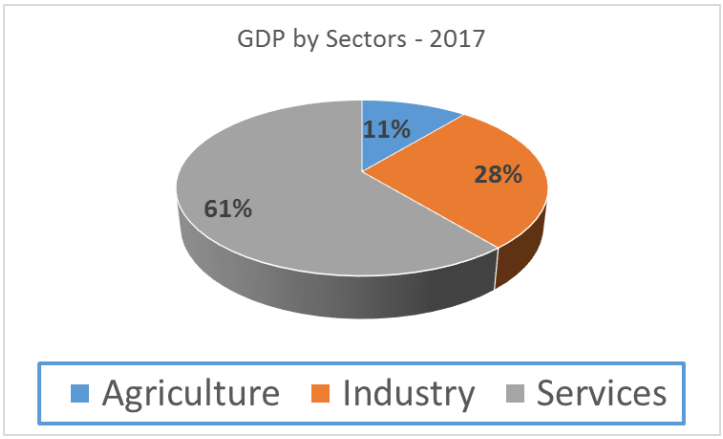
Spanish is the official national language.

The literacy rate is high (98%) and the labour force compares favourably with most developed countries in terms of skills and capacity. Technical and professional standards are also comparable. This issue becomes especially important when the availability of human resources is considered for undertaking productive activities in the country.

ECONOMY

GDP and Economic Activity

Argentina is the third largest economy in Latin America in terms of Purchasing Power Parity (PPP) GDP. In 2019, its nominal GDP in dollars reached 449.7 billion and nominal GDP per capita was close to US$10,000 (US$ 22,000 per capita in PPP terms). The country has grown at an annual average rate of 2% (2006-2016).



Argentina has a highly diversified economy. The primary sector is internationally renowned for its high productivity levels and use of advanced technologies. The country's well-developed industrial base includes key sectors such as agribusiness, automotive, pharmaceuticals, chemicals and petrochemicals, biotechnology and design manufacturing. The service sector is the largest contributor to total GDP, accounting for over 50%. It holds the fourth largest shale oil and second largest shale gas reserves in the world. Other valuable resources include gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stone.

Argentina's main trade partners are Brazil, China and the United States, both for exports and imports of goods. Of the products sent to Brazil, 63% are industrial manufacturing products, 59% of which are vehicles. The main products exported to China are soybean-related products (over 63%), while the main items sent to the United States are biodiesel (26%) and wine (6%).

On the import side, Argentina buys mainly vehicles from Brazil (46% of its total imports), electrical and electronic equipment from China (33%), and mineral fuels, mineral oils and mineral waxes (17%) from the United States.

TRADE AGREEMENTS

From 1 January 1995, Argentina entered into an agreement with Brazil, Uruguay and Paraguay to form a common market known as 'Mercosur', and Venezuela joined it later.

Since that date, the liberalisation of trade among member countries has been applied to most products and it will be extended progressively to all products in the next few years.

With some exceptions, the rates of customs duties for imports from non-member countries were unified from 1995, and exceptions are being eliminated gradually.

Mercosur member countries have subscribed to an agreement with Chile and Bolivia for economic co-operation. These two countries are expected to become full members of Mercosur in the near future.

CURRENCY

The currency unit is the Argentine peso (ARS), with an exchange rate of ARS 38.60 = USD 1 at the end of 2018.

WEIGHTS AND MEASURES

Argentina uses the metric system.

FINANCIAL SYSTEM

MONETARY AND BANKING AUTHORITIES

The BCRA (through its different agencies) is the financial agent of the federal government and conducts its monetary policy, handles the foreign currency reserves of the country, controls financial entities (including banks), exports and financings, and issues related regulations and special rules.

There are no restrictions on foreign investment. No prior approval from Argentine authorities is required, though some of them are applicable to sensitive areas, such as telecommunications, defence and oil and gas. After the new government took office, profits can be freely transferred and the BCRA has eliminated restrictions for banks to sell foreign currency to their clients, which were in force until 2015.
There is a legal system that seeks to prevent money laundering based on the recommendations of the FATF.
BCRA has eased several regulations which, in the past, controlled the country's capital inflows and outflows.

FINANCIAL INSTITUTIONS

The Financial Entities' Law No. 21,526 (FEL), as amended, defines six categories of operators in the financial market:

- Commercial banks
- Investment banks

- Mortgage banks
- Financial companies
- Savings and loan institutions
- Co-operative (savings) banks.

Commercial banks may engage in almost any type of transaction and related services traditionally performed by these banks around the world. Relevant restrictions on financial entities include:

- They may not run companies engaged in commercial, industrial or farming activities, or any other activities, without prior BCRA authorisation
- They may not encumber their assets without prior BCRA authorisation
- They may not accept their own shares as collateral security for any kind of transaction
- They may not enter into any kind of transaction with their directors, officers, managers, or any other persons directly related to the institution, under more favourable conditions than those offered to independent third parties.

OPERATING RESTRICTIONS

Certain minimum capital requirements must be maintained permanently.

Loans to any client or any related group of clients may not exceed 25% of the financial entity's net worth, and are subject to certain restrictions depending on the type of loan.

AUTHORISATION OF NEW FINANCIAL ENTITIES

In reviewing an application for the authorisation of a new financial entity, the BCRA gives special consideration to the condition of the financial market, the appropriateness of increasing the number of authorised financial entities and the background of applicants. The background and technical knowledge of the founders, directors and officers of a new financial entity are particularly important.

Transactions must start no later than one year after the BCRA's approval. Under present regulations, a financial entity ‘starts its transactions’ when it begins doing business with the public.

FOREIGN FINANCIAL INSTITUTIONS

The Executive Order No. 146/94 has had a significant impact on foreign financial institutions such as banks, financial companies and savings and loan institutions interested in operating in the local market.

The order has two remarkable features. Firstly, it abrogated the ‘reciprocity principle’ set out in Section 16 of the FEL and enforced by the Argentine banking legislation for almost 60 years. Pursuant to this principle, the BCRA considered applications of foreign financial institutions only from countries that granted the same treatment to Argentine financial institutions. However, the full power of the BCRA to reject applications on the basis of its discretionary powers still remains.

Secondly, financial institutions in which more than 30% of their corporate capital is held by individuals or entities domiciled abroad, and branches of foreign financial institutions, enjoy the same treatment granted to domestic financial institutions.

Therefore, foreign financial institutions may request authorisation from the BCRA to engage in any banking business contemplated in the FEL. Before the Executive Order, foreign financial institutions could act only as investment or commercial banks.

MERGERS AND ACQUISITIONS

Mergers and acquisitions of financial entities are subject to the BCRA's prior approval.

BCRA regulations require directors and statutory auditors of a financial entity to report any acquisition of shares, the result of which may:

- Change the qualification of the financial entity
- Alter the control structure among the shareholders or
- Adversely affect at least 5% of the outstanding capital or votes of the entity.

All purchases of shares in financial entities must also be reported to the BCRA for its approval within ten days of the execution of the agreement, or letter of intent, or the receipt of any payment, whichever occurs first, regardless of the amount involved. In the absence of such approval, the sale may not be performed, shares may not be delivered, and no payment in excess of 20% of the purchase price may be made.

In analysing applications for approval, the BCRA emphasises the following:

- The acquisition agreement and the control structure resulting from the acquisition
- The financial background, expertise and solvency of the purchasers
- The financial statements, financial condition and background of directors and managers
- The submission of appropriate evidence of the origin of funds to be paid for the transaction
- The background and personal data of the board members and statutory auditors to be appointed after completion of the acquisition.

NEW BRANCHES

Requirements for opening new branches of domestic financial institutions are:

- Fully paid-in minimum capital
- No reserve deficiencies during the previous six months
- Compliance with regulations concerning financial condition and financing
- Absence of economic or financial difficulties
- Absence of excessive risks
- Absence of organisational problems – organisations should have an updated, electronic reporting regime
- Institutions should have an investment ranking of 1, 2, or 3 according to
  - i) The CAMEL procedure, and
  - ii) Duties related to the evaluation of the internal control system.

CAPITAL MARKETS

Argentina has a relatively active market of securities and bonds and a corporate bond market. The National Securities Commission (*Comisión Nacional de Valor* – CNV) regulates markets dealing with public offerings of securities. The CNV was established in 1937. Individuals and entities dealing in public securities markets, as well as in the public offering of all securities other than primary issues of government securities, are subject to the CNV's control.

The Public Offering Law No. 17,811, as amended by the Executive Order No. 677/011 and subsequent regulations, governs the public trading of securities. In accordance with the Public Offering Law, the public trading of securities in exchanges must be made within the securities markets (*mercados de valores*), which are institutions organised as stock corporations that must be affiliated with the different stock exchanges (*bolsas de comercio*). Each *mercados de valore* is liable for all transactions performed by its stockbrokers and may impose sanctions on them. Transactions entered into between stockbrokers are guaranteed by each *mercados de valore*.

On 11.05.2018, the "Productive Financing Law" (Act No. 27,440) that amended the "Capital Markets Act" (Act 26,831) was published in the Official Gazette.
These modifications were promoted with the aim of adapting the local capital market to the global trend, accepting the recommendations of specialized international organizations, such as those made by the International Organization of Securities Commissions (IOSCO), considering the development of the capital market as a strategic and fundamental activity for the growth
of the country. Some of its main objectives are to promote the integrity and transparency of the capital market, minimize systemic risk by fostering a healthy and free competition and facilitating the financing conditions of companies.

The main stock exchanges are in the cities of Buenos Aires, Rosario, Córdoba, La Plata and Mendoza. The Buenos Aires Stock Exchange (the BASE) is the oldest and largest, founded in 1854, and is where nearly 90% of all securities are traded.

To be a member of the BASE and authorised to operate as a stockbroker, individuals and corporations must own a share in the *Mercado de Valores de Buenos Aires S. A.* (MVBA).

PROMISSORY NOTES (*OBLIGACIONES NEGOCIABLES*)

The Law No. 23,576 (*Ley de 'Obligaciones Negociables'*), as amended by Law No. 23,962 (the ON Law), helped develop the corporate bond market. Pursuant to provisions of this law, debt notes may be issued to bearer, registered or book-entry forms, and may be denominated in either local or foreign currency.

Rates on debt notes may be fixed or floating, and may vary substantially in accordance with market conditions and the issuer's creditworthiness.

Pursuant to the ON Law, Argentine corporations, co-operatives, and branches of foreign corporations are empowered to issue debt notes upon compliance with the legal requirements of the ON Law.

Different classes of debt notes belonging to the same class have the same rights. Different series of the same class of debt notes may be issued by the same issuer, but new series pertaining to the same class may not be issued until all of the debt notes corresponding to previous issuances have been sold. It is not necessary that by-laws expressly contemplate the issuance of debt notes. Such a decision must be adopted by an ordinary shareholders' meeting that may delegate to the board of directors all necessary powers to approve the terms and conditions of the debt notes to be issued.

EQUITIES

New issues may be underwritten by investment banks, brokerage firms and securities dealers, and are required to be previously registered with the CNV, which reviews the issuer's compliance with regulatory and disclosure procedures. The CNV currently imposes no requirements on listing with respect to an issuer's size, capital, number of shares outstanding or earnings. However, for listing purposes, the issuer must also be previously approved by the relevant stock exchange, which reviews the issuer's net worth or shareholders' equity, financial standing and prospects.

Generally, the BASE requires an issuer to show profits during the previous two years, though a separate procedure is available for companies without an operating history. Shares are issued at par, and their offering price may be of any value (except below par) as long as it is adequately justified by the company, taking into account market quotations and the net worth and profit prospects of the company, and that it would not result in any unjustified dilution of the existing shareholders' entitlement to pre-emptive rights on the new issuances of shares.

3 – FOREIGN INVESTMENT

Foreign investors enjoy the same rights and undertake the same duties as domestic investors when investing in financial or production activities.

Generally, Argentine Law does not set any restrictions or prohibitions on foreign investments; they are no longer subject to prior government approval beyond those applicable to any domestic or foreign investor in each particular activity.

The Foreign Investment Law (FIL) No. 21,382/76 (*Ley de Inversiones Extranjeras*) has been amended several times for the purpose of achieving liberalisation and deregulation of investments. It was recently amended by the Law No. 23,697 and Executive Order No. 1,853/93.

The FIL sets out that foreign investors shall be treated as local investors, provided they invest in productive activities ie industrial, mining, agricultural, commercial, service or financial activities, or any other activities related to the production or exchange of goods or services.

Investments may be made in:
- Capital assets
- Profits from other investments
- Repatriated capital resulting from other investments made in the country
- Capitalisation of foreign credits
- Certain intangible assets
- Other forms acceptable to the foreign investment authorities or contemplated by special legislation.

INVESTMENT INCENTIVES FOR CAPITAL GOODS AND INFRASTRUCTURE

Incentives for investment fall under:
- Investment promotion law
- Exemption from import duties on capital goods
- Reduction in value added tax (VAT)
- Incentives for national production of capital goods, IT, telecom and agricultural machinery
- Import regime for large industrial investment projects
- Temporary import of capital goods.

SECTOR INCENTIVES

Incentives for specific sectors include:
- **Automotive and auto parts promotion regime**
- **Software industry promotion regime**

  The law provides for tax benefits to certain activities undertaken in the software industry, including the creation, design, development, production and implementation of software systems and operating instructions. The tax benefits provided by this regime are available until December 2019, according to the regulations of Law 26,692.
  Under the law, the tax benefits include:

- Tax stability: Under the new tax regime, taxpayers (both entities and individuals) will not be subject to rises in all national tax rates for a 10-year period.
- Bonus tax credit: taxpayers are allowed an additional tax credit amount equal to 70% of employers' contributions effectively paid to the social security systems. The bonus tax credit can be used against certain national taxes, except for the income tax.
- 60% exclusion applicable to Income tax payable.

- **Promotion of state-of-the-art biotechnology development and production**
  The regime grants tax benefits to whoever submits research, development and production projects based on the use of modern biotechnology.
  The tax benefits available under this regime, which shall be in force for 15 years, are the following:
  - An accelerated depreciation for income tax purposes of fixed assets, equipment and parts thereof;
  - An exemption from the minimum presumed income tax for such assets;
  - An early refund of VAT on purchases of such assets. This credit will be used towards the payment of other national taxes; and
  - A credit certificate for 50% of the social security contributions paid. These certificates can be used as a credit towards the payment of national taxes
- **Bio-fuels promotion regime**
  The law defines biofuel as bioethanol, biodiesel and biogas produced with raw material from agriculture, agro-industrial and organic waste, which complies with the quality standards established by the applicable authorities. The tax benefits available under this regime are the following:
  - An accelerated depreciation/amortization of equipment and investments for income tax purposes;
  - An early refund of VAT on purchases of fixed assets and investments in infrastructure;
  - An exemption for such assets from the minimum presumed income tax; and
  - An exemption for bioethanol and biodiesel from the hydro-infrastructure fee, the tax on fuel liquids and natural gas and the tax on the transfer of gasoil.
- **Regime for the promotion of motorcycles and motorcycle spare parts**
- **Mining promotion regime**
  Eligible projects receive, among others, the following tax benefits:
  - Tax stability: Except for VAT and social security contributions, the total tax burden (federal, provincial and municipal taxes) may not be increased during 30 years from the filing of feasibility studies. Special rules regarding deductibility and depreciation;
  - Royalties: Royalties charged by provinces are limited to 3% of the value of the mineral extracted and transported before any transformation process.

- **Forestry regime**
- **Hydrocarbon exploration and exploitation incentive program**
- **Public infrastructure works.**

4 – SETTING UP A BUSINESS

MAIN COMPANY TYPES FOR INVESTORS

BRANCH OF A FOREIGN CORPORATION

A foreign corporation does not need to assign corporate capital to its branch unless the branch is engaged in certain specific activities (e.g. insurance, banking). The foreign corporation is liable for the obligations of the branch. The local manager of the branch may also be liable for such obligations if the branch were improperly established.

To establish a branch, a foreign corporation must appoint a local attorney-in-fact who applies to the Public Registry of Commerce – PRC (*Registro Público de Comercio*) for registration purposes.

The PRC normally registers the branch within three weeks provided the application contains the following documents:

- A certified copy of the articles of incorporation of the foreign corporation
- A certificate of good standing of the foreign corporation
- A certified copy of the by-laws of the foreign corporation
- Certified documentation evidencing whether the foreign corporation is, or is not, permitted to conduct business at the place where it is incorporated or registered
- Certified documentation evidencing that the foreign company meets at least one of the following conditions:
  - i) It has one or more branches or permanent representations registered or incorporated outside the Argentine Republic
  - ii) It holds equity holdings or interests in companies incorporated or registered outside the Argentine Republic that are regarded as non-current assets, as defined by the generally accepted accounting principles, or
  - iii) It owns fixed assets at its place of incorporation or registration, the existence and value of which shall be evidenced pursuant to generally accepted accounting principles
- A certified abstract of the minutes of the board of directors' meeting that approved the establishment of the branch
- A power of attorney authorising the local attorney to register the branch
- A broad power of attorney authorising an individual (i.e. the local manager) to manage the branch.

Additionally, the foreign corporation should not meet any of the following conditions:

- It is not to own assets outside the Argentine Republic
- The value of its non-current assets are not as significant as:
  - a) The value of the shares or interests of the foreign corporation in Argentine companies and/or the assets of the foreign corporation in the Argentine Republic, or
  - b) The amount of commercial transactions carried out by and between the foreign corporation and Argentine residents
- The activities involving the administration and management of the foreign corporation’s affairs and businesses are effectively carried out at the place of business (corporate premises) of the foreign corporation in the Argentine Republic.

If the PRC were to acquire evidence about one of the conditions detailed above, it might require the foreign corporation to carry out the so-called 'domestication' process (ie adapt its by-laws to provisions set by the Argentine Commercial Companies Law, regarding Argentine companies).

If the foreign corporation were not to carry out the 'domestication' process, the PRC might request the court to wind up and cancel the registration of its branch with the PRC.

Branches are required to keep books separately from those of their head offices

STOCK CORPORATIONS

•They may have one shareholder (single shareholder corporation or "Sociedad Anónima Unipersonal – SAU") or more than one shareholder (multiple-member corporation).

Shareholders generally are not liable for corporate debts and obligations beyond the total amount of their capital subscriptions. The board of directors of the corporation may consist of one or more directors. An absolute majority of the directors must be domiciled in the Argentine Republic.

All directors, whether or not domiciled in the Argentine Republic, must establish a 'special domicile' within the Argentine Republic. The articles of incorporation may provide for a statutory auditor, who must be a lawyer or an accountant domiciled in the Argentine Republic. Such a statutory auditor is mandatory if the capital of the corporation exceeds ARS 50,000,000.
Currently, a corporation must have a capital of at least ARS 100,000. Nevertheless, according to the PRC, the corporate capital must be proportionate to the corporate purpose. The capital must be divided into nominative shares (either non-endorsable or endorsable) of equal par value. The shares may be common or preferred. All shares must be subscribed before the corporation is formally incorporated. Upon incorporation, the shareholders shall have paid in all of their contributions in kind, and at least 25% of their contributions in cash. The remaining cash contributions must be paid in within two years of the incorporation date.

To incorporate a stock corporation in the city of Buenos Aires, the incorporators must file proposed articles of incorporation and by-laws with the PRC for approval and publish an abstract of the company's by-laws in the Official Bulletin.

Shareholders must hold at least one regular meeting every year for the main purpose of approving financial statements, distributing profits, and designating directors and statutory auditors

Each foreign shareholder of an Argentine corporation must apply for registration with the PRC. The foreign shareholder must be duly registered before filing the proposed articles of incorporation and by-laws of the stock corporation with the PRC.

The PRC usually registers the foreign shareholder within three weeks, provided the application contains the following documents:

- A certified copy of its articles of incorporation

- A certificate of good standing
- A certified copy of its by-laws
- Certified documentation evidencing whether the foreign corporate shareholder is, or is not, permitted to conduct business at the place where it is incorporated or registered
- Certified documentation evidencing that the foreign corporate shareholder meets at least one of the following conditions:
  - i) That it has one or more branches or permanent representations registered or incorporated outside the Argentine Republic
  - ii) That it holds equity holdings or interests in companies incorporated or registered outside the Argentine Republic that are regarded as non-current assets, as defined by the generally accepted accounting principles
  - iii) That it owns fixed assets at its place of incorporation or registration, the existence and value of which shall be evidenced pursuant to generally accepted accounting principles
- A certified abstract of the minutes of the board of directors' meeting that approved its registration as a foreign corporate shareholder in the Argentine Republic
- A power of attorney issued by the foreign corporate shareholder authorising a local attorney to register it.

Additionally, the foreign corporate shareholder should not meet any of the following conditions:

- It is not to own assets outside the Argentine Republic
- The value of its non-current assets are not as significant as:
  - a) The value of the shares or interests of the foreign corporate shareholder in Argentine companies and/or the assets of the foreign corporate shareholder in the Argentine Republic, or
  - b) The amount of transactions carried out by and between the foreign corporate shareholder and Argentine residents
- The foreign corporate shareholders' affairs and businesses are administered and managed and effectively carried out at the place of business (corporate premises) of the foreign corporate shareholder in the Argentine Republic.

If the PRC were to acquire evidence about one of the conditions detailed above, it might require the foreign corporate shareholder to carry out the so-called 'domestication' process (ie adapt its by-laws to the provisions set by the Argentine Commercial Companies regarding Argentine companies). If the foreign corporate shareholder were not to carry out the 'domestication' process, the PRC might request in court the cancellation of its registration with the PRC.

SINGLE OWNER CORPORATION (SOCIEDAD ANÓNIMA UNIPERSONAL OR "SAU")

The New Civil and Commercial Code allows for the incorporation of a Single Owner Corporation.

The special requirements of the SAU are as follows:

•The SAU may only be a corporation; no other entity may be registered by a single owner.
•The shareholder cannot be another single shareholder corporation.
•The corporate name should state Sociedad Anónima Unipersonal, or its acronym "SAU".

•100% of the capital stock must be fully paid up upon incorporation and it is subject to continuous Government audits. This means that it is required to have multiple statutory auditors and directors.

LIMITED LIABILITY COMPANY (SOCIEDAD DE RESPONSABILIDAD LIMITADA OR "SRL")

•Members limit their liability to the par value of the membership interests (cuotas) they agreed to subscribe. Membership interest transfers shall be registered with the Regulatory Agency of Business Associations.
•The number of membership interest holders shall be at least 2 and shall not exceed 50. Foreign individuals and entities may be registered as partners.
•No minimum capital required. However, the IGJ requires that the capital subscribed by members is adequate in relation to the corporate purpose.
•The SRL is managed by one or more managers.
The appointment of a statutory supervisor or supervisory committee is optional for those SRLs that do not exceed a capital amount of ARS 50,000,000.
•Similar rules apply to SRLs and SAs regarding partners' and managers' liability, with a few exceptions. If more than one manager is appointed, liability will depend on the provisions of the bylaws.

JOINT VENTURES (UNIONES TRANSITORIAS DE EMPRESAS)

The purpose of these temporary associations of business enterprises is to develop or execute specific works, services or supplies, within or outside Argentina. They can also develop or carry out activities or services that are supplementary and accessory to the main purpose. A non-resident corporation may be a member of a local UTE as long as it complies with the same registration formalities required by the local regulator for the incorporation of a branch of a foreign entity.

5 – LABOUR

Argentine Law applies to employment within the Argentine territory, irrespective of the place where the contract was entered into.

EMPLOYMENT

HIRING

Unless otherwise agreed upon by the parties, the Employment Contract Law (ECL) sets out the presumption that an employment relationship is agreed for an indefinite term and with an initial 'trial period' of three months.

During the trial period, the contract may be terminated without just cause and the employee shall not be entitled to the mandatory severance pay due upon unfair dismissal.

In the case of termination during the three-month trial period, the employer must give a prior written notice 15 days before the termination date. The employer's failure to do so entitles the terminated employee to receive a severance pay in lieu of omitted prior termination notice.

Indefinite term employment contracts do not need to be evidenced in writing, whereas the ECL sets out the rights and duties of both parties along with minimum benefits.

Indefinite term employment contracts, except for seasonal contracts, are subject to a trial period of three months from the beginning of the contract. However, in certain cases, a written contract is required and/or advisable, namely:

- Fixed term contract – its term may not exceed five years and employers must have an extraordinary cause
- Temporary contract – executed to perform a specific piece of work or to provide a specific service, whenever extraordinary circumstances so determine
- Seasonal contract – executed based on the kind of activity performed by the employee, who provides his/her services only at a specified time of the year
- Apprenticeship and scholarship contracts – executed by young individuals who meet certain requirements for the purpose of learning a craft, trade or profession.

Under the ECL, employers must register their employees' basic data (including hiring date and salary) within a special payroll book, which is provided by the labour administrative authority and subject to periodic controls by the Ministry of Labour. Failure to register employees triggers severe fines.

EMPLOYEES' RIGHTS

MINIMUM SALARY

Parties may not agree on a salary below the minimum amounts set by law. Most industries and activities have minimum salaries stated by the Law No. 25,877, effective from 28 March 2004, that were agreed between employers' chambers and trade unions, and which may not be lower than the minimum salary fixed by the government (at present, the minimum salary is ARS 16,875,300 October 2019).

EQUAL PAY

The rule 'equal pay for equal task' applies. Nevertheless, employers may pay incentives to those employees who perform outstanding services, or pay an additional amount to employees under certain circumstances or categories (like those who have a higher seniority, a professional degree, etc).

OVERTIME PAY

Regular employees (those who are subject to mandatory rules regarding working hours) are entitled to overtime pay whenever they work in excess of the working schedule (ie more than 48 hours per week or eight hours per day). Employees who work under an irregular daily schedule are entitled to overtime when they exceed nine hours per day. Additionally, night work and hazardous work have reduced working schedules.

Executives and other special categories of employees are not subject to such mandatory rules on working hours and, subsequently, are not entitled to overtime pay.

THIRTEENTH MANDATORY SALARY

Employers must pay the so-called supplementary annual bonus (*sueldo anual complementario* – SAC) or 'thirteenth mandatory salary' in two instalments – the first on 30 June 30 and the second on 31 December each year. The amount of each instalment is equivalent to 50% of the highest remuneration earned by the employee over the pertinent semester.

PAID VACATION LEAVE

This leave ranges from 14–35 calendar days, depending on the employee's seniority.

PAID SICK LEAVE

Employees are entitled to paid sick leave from three to 12 months, depending on the employee's seniority and family responsibilities (e.g. minor children).

PAID HOLIDAYS AND SPECIAL LEAVE

Employees are given holidays and special leaves set out by the ECL or a particular collective bargaining agreement (CBA).

LIFE INSURANCE

Employers must take out collective life insurance for the benefit of their employees. The minimum coverage per employee is ARS 44,300. CBAs may establish mandatory additional coverage.

LABOUR RISKS INSURANCE OR WORKERS' COMPENSATION INSURANCE

Employers must take out insurance covering labour-related illnesses and accidents with a private and authorised labour risk insurance company (*aseguradora de riesgos de trabajo* – ART).

Medical assistance is provided by health care organisations or health care providers (*obras sociales*). Cover is paid for by the state social security system, through employees' and employers' contributions. Blue-collar employees are entitled to choose from a list of health organisations managed by the trade unions and white-collar employees (in certain situations) are entitled to choose from a list of health organisations managed by executives.

SUBSIDIES

Family allowances and unemployment benefit, supported by the social security system, are paid from employees' and employers' contributions. Family allowances include three-month pregnancy/maternity paid leave and unemployment benefit may extend to one year of monthly payments (provided that the respective beneficiaries meet legal requirements).

All subsidies are paid to the employees by Social Security Administration (ANSES).

SMALL COMPANIES

Certain small and medium-sized companies (*pequeñas y medianas empresas* – PyMEs) are subject to a specific regulation and receive a particular treatment from the state.

After fulfilling the corresponding legal requirements, PyMEs may be entitled to receive benefits in specific areas (eg government subsidies for credits, preference in public bids, etc.).

TERMINATION

PROCEDURE

The employer and/or the employee may terminate the employment relationship by:

- Mutual consent
- Employee's resignation
- Employer's dismissal, with or without just cause
- Employee's death or total disability
- Employee's retirement
- Employer's bankruptcy
- Expiration of an agreed fixed term employment.

The employer may terminate the employment relationship with just cause when the employee commits a serious offence. Activities that may be considered offensive or prejudicial to the employer are evaluated on a case by case basis and determined in accordance with the general principles of law and legal precedents. The employer must give the employee a written explanation of the grounds for his/her dismissal. The employee may object to the termination grounds by filing a legal action in court; the employer bears the burden of proof. Employees may also terminate the employment contract with just cause (constructive dismissal).

When an employee is dismissed with just cause or resigns, or when the parties agree to terminate the employment relationship by mutual consent, the employer has to pay only the accruals (ie wages for days worked during the month of termination, proportional compensation for accrued and non-enjoyed vacations and accrued thirteenth mandatory salary), and need not make any other mandatory severance payments (ie severance pay based on seniority, severance pay in lieu of prior termination notice, etc.).

Employers may reduce the mandatory severance payment package by paying 50% of the severance pay based on seniority in the case of justified redundancies, by proving 'force majeure' / 'lack or reduction of work' / 'economic or technological reasons' not attributed to the employer and beyond the employer's control. In such cases, lay-offs must be carried out in order of seniority.

Mass lay-offs must comply with a special procedure before the labour authorities in the presence of the trade union, and the employer must give evidence of the critical situation. In such cases, the parties (the employer and the trade union) may agree upon a reasonable severance pay package, which the Ministry of Labour then evaluates for approval.

Employees may object to the reduced severance payment package when they have not reached any settlement (labour courts usually accept such claims).

In all cases, employers are free to make additional payments (over the minimum and mandatory severance payments) to the terminated or resigning employees. These additional payments are bonuses subject to income tax withholdings, but exempt from social security contributions because they are considered as extraordinary and exceptional bonuses (i.e. only paid upon termination of the employment contract).

When employees are dismissed without just cause, in addition to the accruals (i.e. wages for worked days during the month of termination, proportional compensation for accrued vacations, and accrued thirteenth mandatory salary), employers shall pay a mandatory package that comprises a severance pay based on seniority and, if no prior written notice was given, a severance pay in lieu of omitted prior termination notice.

MANDATORY SEVERANCE PAY BASED ON SENIORITY

Employees are entitled to a severance pay based on seniority equivalent to one gross month's salary (ie the employee's highest monthly and regular salary of the last 12 months) for each year of service or any fraction thereof (in excess of three months). In no event may this severance pay be lower than two actual gross monthly salaries.
To calculate this severance pay based on seniority, the highest monthly and regular salary of the last year has a statutory ceiling – it may not exceed three times the average of all the remuneration contemplated by the applicable CBA. If more than one CBA is applicable to the employer's activity, the most favourable one to the employee shall be applied. This statutory ceiling is applied to unionised and non-unionised employees.

The severance pay based on seniority is not subject to any taxes or social security contributions or withholdings. The mandatory severance payment in lieu of prior termination notice and the balance salary of the month of termination are subject neither to social security contributions nor withholdings.

SEVERANCE PAYMENT IN LIEU OF PRIOR TERMINATION NOTICE

Absence of a prior written termination notice in due time entitles employees to claim the following severance pay:

- Employees dismissed during the three months' trial period are entitled to half of the employee's monthly salary
- Employees with less than five years of seniority are entitled to one month's salary
- Employees with more than five years of seniority are entitled to two months' salaries.

The mandatory severance pay in lieu of the prior termination notice for employees of small-sized companies, as defined by Law No. 24,467, is equal to one month's salary. In addition, employers must pay the salary for the days remaining in the month in which the termination occurred (balance salary of the month of termination) and the employer must pay the proportional part of the thirteenth mandatory salary, which is an additional one-twelfth (employees who work for small-sized companies as defined by Law No. 24,467 are not entitled to this payment).

The mandatory severance payment in lieu of prior termination notice and the balance salary of the month of termination are not subject to social security contributions or withholdings, but they are subject to income tax withholdings.

PROTECTED CATEGORIES

Legislation protects certain categories of employees in different ways.

Pregnant women, new mothers and just-married employees who are dismissed without just cause are entitled to an additional severance pay equal to one year of their salaries.

Employers may not change the work conditions of trade union representatives without any just cause within one year of the end of their representation.

The employer must follow a special procedure before the labour courts to dismiss a union representative with just cause. However, if the procedure is not followed, the representative may choose between being reinstated to his/her job or receiving, apart from the mandatory severance pay package, an additional severance pay equal to all the salaries that he/she would have received up to the end of their representation period, plus salaries for one additional year.

According to the Anti-Discrimination Law No. 23,592, employees dismissed on the grounds of discrimination because of their race, religion, nationality, ideology, political or union opinion, sex, or their financial, social and/or physical condition may request their reinstatement, or any other measure to remove the effect of the discriminatory act, or to cease in its performance by means of summary proceedings, according to Section 43 of the national constitution. Discriminated employees who are reinstated are entitled to back wages. Employees also have the option to terminate the employment contract with cause and claim the mandatory severance pays from their employers under constructive dismissal. Under the provisions of the civil code, adversely affected employees may also claim for compensation for pain and suffering or emotional distress.

Employees who are not properly registered in the employer's payroll are entitled to additional amounts that significantly increase the mandatory severance pay package.

Other cases in which employers are exposed to additional payments include travelling salesmen, breach of a fixed-term employment contract, lack of payment of the mandatory severance pay package in due time and failure to deliver employment certificates in due time.

COLLECTIVE BARGAINING AGREEMENTS (CBAS)

The law governing CBA rules that parties may negotiate the scope and enforceability of the CBA based on:

- The employer's industry
- Jobs within an industry
- The worker's job duties
- Companywide representation.

Under this law, companies may not operate union-free. Almost all industries and activities already have a trade union that collectively represents their employees.

Unless previously agreed upon in the CBA, executive or senior employees and managers are subject neither to its provisions nor to union representation. However, employees who do not qualify as executive or senior employees or managers are subject to CBAs and union representation.

Employees may freely become members of a union or opt out. However, the trade union shall still maintain collective representation.

The Ministry of Labour must approve CBAs. If such approval is obtained, CBAs are binding, not only on the members of the trade unions and employers' associations party to them, but also on all workers and employers in the particular activity or industry involved. To secure compliance with the agreements, workers must be represented by recognised (acknowledged) trade unions.

CBAs may impose additional contributions on the trade union that negotiated the agreement.

COLLECTIVE DISPUTES

The law governing collective disputes sets out that the Ministry of Labour may summon the parties to settle a collective dispute. During a specific term while the ministry is intervening in the dispute, the parties may not take direct action. The ministry is empowered to direct the parties to retract any measures that may have caused the dispute.

If during the appropriate period the parties do not agree to a settlement or arbitration, they are free to take whatever legal action they may deem suitable, including direct action (eg a strike, lockout, etc).

SPECIAL LAWS

Several laws have been passed to regulate the activities of various categories of employees. The most important of them include the activities of travelling salesmen, seamen, workers who work from home, farmers or agrarian workers, professional journalists, private teachers and domestic workers.

SOCIAL SECURITY REGULATIONS

Employees’ salaries are subject to social security payments.

Both employers and employees must contribute to the social security system. Employers must pay their part of the contributions and must also withhold the employees' part from their remuneration. Social security contributions must be made for:

- Retirement and pension plans
- Healthcare organisations or healthcare providers (*obras sociales*)
- The national institute providing medical assistance for retirees and pensioners (INSSJP)
- Family allowances
- Unemployment fund
- Labour risk insurance companies or workers' compensation insurance companies (ARTs).

The total employee social security tax rate is 17%, which consists of contributions of 14% to the pension fund, 3% to medical care.

For the purpose of calculating social security contributions paid by employees, there is a 'legal ceiling' or 'legal cap' (maximum amount) to be applied to the employee's monthly gross salary. Currently, this legal ceiling is ARS 185,591.28 (June 2020). The portion of the employee's monthly salary over the legal ceiling (i.e. the portion which exceeds ARS 185,591.28) is not subject to social security contributions.

The Retirement and Pension Fund System has a public sector regime and retired workers are entitled to an earnings-related retirement pension (i.e. the amount of the pension depends on their earnings level during their employment).

On a yearly basis, the ceiling is updated in March and September based on the increase of the retired workers compensation set by the government based upon changes in the prices index.

Employers pay 18.5% to the pension fund, 6% to social healthcare (see below).

In addition, employers must pay the premium of the so-called ART (labour risk insurance company), because it is not included in the above-mentioned contribution rates.
The insurance premium is calculated taking into consideration a percentage of the employees' remuneration and varies according to the company's activity, the amount of employees and the compliance with security standards.
The average range varies from 0.50% to 17% of the taxable salary of each employee

Summary of Employer and Employee Contributions (until 31.12.2018)
The following table summarizes the main contributions.

	Employer (I) %	Employer (II) %	Employee %
Pension fund	10.47 (1)	12.53 (1)	11.00 (3)
Pensioners' healthcare fund	1.54 (1)	1.60 (1)	3.0 (3)
Family allowance fund	4.57 (1)	5.48 (1)	-
Unemployment fund	0.92 (1)	1.09 (1)	-
Private health insurance	6.00 (2)	6.00 (2)	3.00 (3)
	23.50	**26.70**	**17.00**

(1)Percentages apply to the total remuneration without any limit
(2)In principle, these percentages apply to the total remuneration without any limit since November 2008.
(3)These percentages apply to the total remuneration or to the monthly limit of ARS 185,591.28 –since Junio 1, 2020– (taxable monthly salary), whichever is lower. This cap is updated every six months (March and September).

There is a minimum non-taxable amount of ARS 7003,68.
At the same time, a gradual unification of the applicable rate of the employer's contributions to the social security system has been implemented, eliminating the current differences in contributions depending on a firm's size and its main activity, as follows:

Until				As from
12/31/2018	12/31/2019	12/31/2020	12/31/2021	1/1/2022
Commercial and service activities invoicing more than 48 million pesos				
20.70%	**20.40%**	**20.10%**	**18.80%**	**19.50%**
All activities, except for commercial and service invoicing more than 48 million pesos				
17.50%	**18%**	**18.50%**	**19%**	**19.50%**

6 – TAXATION

INCOME TAX

The Income Tax Law (Law No. 20.628/73, as amended), and its regulations, apply to all worldwide income of individuals living in the Argentine Republic and Argentine corporations, branches or other permanent establishments of foreign entities located in the Argentine Republic, and to all locally sourced income of foreign beneficiaries.
Low 27430 ruled in 2018, amended certain regulations, effective 2018.

INCOME

Broadly defined, locally sourced income is income deriving from assets situated in the Argentine Republic, or activities carried out in the Argentine Republic.

Individuals and corporations subject to tax on global income are entitled to a credit for similar taxes paid abroad, the amount of which may not exceed the increase of Argentine income tax payable as a consequence of including the foreign sourced income in the taxable base.

IMPORTS

Profits obtained by foreign individuals and corporations from the exports of goods into the Argentine Republic are usually considered as foreign-sourced income of the foreign exporter.

If the import price of the goods agreed upon by the foreign exporter and the local importer is higher than the wholesale price of these goods in the country of origin (plus any applicable freight and insurance), it is presumed that there is an economic link between the parties and, unless there is sufficient evidence to the contrary (ie the burden of proof is on the taxpayer), the difference between the import price and the wholesale price in the country of origin (plus any applicable freight and insurance) is considered net profit of the foreign exporter and taxed at the usual 35% rate.

GENERAL CORPORATE TAX RATE:

Law 27541 of Solidarity and Productive Reactivation (Dec 2019) established a new period for the reduction of the income tax rate as follows:

Fiscal Year 2019 and 2020: Corporate tax rate 30% - Withholding on dividends 7%
Fiscal Year 2021 and after: Corporate tax rate 25% - Withholding on dividends 13%

Since as of 2017 the corporate rate was 35%, (and no withholdings on dividends), effective 2018, the rate is split, (company 30% and shareholder 7%), then, taken together, remains the 35%.

ESTIMATED PAYMENTS

Companies must make 10 advance payments of income tax during the year. First instalment equals to 25% of the previous year's income tax liability.

SELECTED TAX COMPUTATION RULES

LOSSES

Business organisations may generally deduct expenses and losses incurred in obtaining locally source income. Net operating losses (NOLs) may be carried forward for up to five years.

DEPRECIATION

Fixed assets may be depreciated on a straight-line basis. The usual annual depreciation rate is 10% for machinery and equipment, 20% for dies, tools and vehicles and 2% for buildings. In special cases, tax authorities may authorise higher depreciation rates.

EXPORT DUTIES

The Decree 99/2019 established an export duty on export services and goods. Law 27541 (Dec 2019) changed it to 5% on export of services and 9% on export of goods, that is the maximum rate allowed by law until December 31,2021.

TRANSACTIONS BETWEEN RELATED PARTIES

Special rules apply to deductions arising from transactions between an Argentine corporation, or branch of a foreign corporation and a foreign related party.

In the case of payments under the 'Know-How Transfer Law', an Argentine licensee may deduct royalty payments only if the corresponding license agreement has been previously registered with the institute of intellectual property INPI (Instituto Nacional de la Propopiedad Intelectual) and up to the 80%.

For other inter-company transactions, an Argentine taxpayer may deduct expenses if the charges are consistent with arm's-length practices.

Transfer Pricing filings are mandatory, on annual basis.

PRESUMED NET INCOME FOR FOREIGN BENEFICIARIES

Payments of income made to foreign beneficiaries are generally subject to 35% income tax withholding.

For certain kinds of income, described below, the Income Tax Law presumes a fixed level of net income to which the 35% income tax withholding rate applies, which generates an effective rate lower than a flat 35%.

WITHHOLDINGS

Non-residents corporations and individuals, when there is no double taxation agreement in place, are subject to a withholding than ranges from 15.05 to 35% for interests and 21 to 31.5% for royalties.

DOUBLE TAXATION AGREEMENTS

Double taxation agreements (DTAs) are executed to avoid the imposition of taxes among residents in two or more different contracting states on the same taxable issue, within the same period of time, and charged against the same taxpayer.

DTAs are intended to soften the tax burden on the taxable issue in transactions between two residents in different contracting states.

To-date, the Argentine Republic has executed and ratified DTAs with:

- Australia
- United Kingdom
- Chile
- Denmark
- Germany
- Belgium
- France
- Italy
- Sweden
- Canada
- Bolivia
- Brazil
- Finland
- Mexico (2018)
- Norway
- Spain
- Switzerland
- Netherlands
- Russia

In general, the agreements ratified by the Argentine Republic are applied to taxes on income or revenue, shareholders' equity, and potential benefits.

In this sense, these agreements prevail over the Income Tax Law and, therefore, foreign residents would benefit by the application of reduced rates established in the DTA whenever they make a payment subject to the tax withholding.

OTHER CHANGES RULED BY LAW 27430 – TAX REFORM (EFFECTIVE FISCAL YEAR 2018)

Thin Capitalization

Base erosion and profit shifting (BEPS)-based rule, where the deduction on interest expense and foreign exchange losses with local and foreign-related parties is now limited to 30% of the taxpayer's taxable income before interest, foreign exchange losses, and depreciation. The taxpayer is entitled to carry forward excess non-deductible interest for five years and unutilized deduction capacity for three years.

Inflation adjustment

Argentine tax legislation sets forth an adjustment for inflation. The new tax reform has re-established the integral adjustment for inflation procedures as long as the variation of the Internal Wholesale Price Index (Índice de Precios Internos al por Mayor – IPIM) accumulated in the 36 months prior to the end of the fiscal period, is higher than 100% This provision will be applicable for fiscal years initiated as from January 2018. The Tax Reform introduced a Revaluation of Assets Regime for Tax Purposes (RARTP).

VALUE ADDED TAX (VAT)

Argentine's VAT is similar to the European Union's VAT.

It consists of an output tax and input tax levied on the sale of goods located within the country, on contracts for work or contracts for the provision of services, or on lease agreements executed within the country or in a foreign country, as well as on imports of movable goods and services.

The excess of the output tax over the input tax must be paid within a certain period (e.g. 20 days from the end of each calendar month).

VAT is applied to the net price of the goods, service or work, generally at the rate of 21%. This rate is different (10.5% or 27%) in some specific cases and there are exemptions for certain products and services.
VAT is paid on monthly basis (except for small companies that can pay it on quarterly basis).

RELATED PARTIES

Law No. 25,063 establishes that foreign-owned Argentine companies should consider as computable assets for minimum presumed income tax purposes, all credits against their parent company or individual owner or any parent's branches or those corporations that directly or indirectly 'control' the former.

NON COMPUTABLE ASSETS

The following should not be computed in the tax base:

- The value of new personal property subject to depreciation (except for automobiles) during the fiscal year in which they have been acquired and the following one
- The value of any investments in new buildings or such improvements on previously built ones during the fiscal year in which the total or partial investments have been made, and in the following one.

TAX CREDIT AGAINST INCOME TAX

Income tax paid in a given fiscal year is credited against the tax liability arising from MPIT for the same fiscal year. If there is no income tax to pay, the payment on account of the MPIT may be carried forward against the income tax liability corresponding to the following ten fiscal years.

FOREIGN TAX CREDIT

Taxpayers are to compute for the purpose of this tax and as a tax credit, any tax levied and effectively paid upon assets located outside the Argentine Republic up to the increase of the Argentine presumed minimum income tax deriving from the inclusion of such assets in the taxable base.

PERSONAL ASSET TAX (PAT)

Personal asset tax is levied at a national level and on all property owned by the taxpayer. PAT is applied to the total assets of taxpayers who own assets valued at more than ARS 2.000.000 at the end of the calendar year, on taxable assets belonging to individuals and located within the Argentine Republic and abroad, and estates domiciled in the Argentine Republic.

For in country assets the tax is calculated by a progressive rate up to 1.25% and for foreign assets a progressive rate and the maximum tax rate is 2.25%

Individuals not domiciled in Argentina are only liable for this tax on their assets in Argentina at a fixed rate of 0.5% and must appoint an Argentinean resident to be responsible for the payment of the tax (“responsable sustituto”).

In the case of corporate bodies organised in the Argentine Republic, non-resident equity holders (individuals, estates or legal entities) and individual residents who own equity interests subject to the 0.5% personal assets tax, the personal assets tax should be determined and paid by the corporate body.

For the purposes of this tax only, individuals are considered as domiciled in the Argentine Republic, inter-alia, if they have their actual domicile in the Argentine Republic or, for expatriates, if they have resided in the Argentine Republic for more than five years.

Individuals domiciled in the Argentine Republic are entitled to a credit for similar taxes paid abroad, the amount of which must not exceed the increase in the Argentine personal assets tax as a consequence of including taxable assets located abroad in the taxable basis.

TAX ON DEBITS AND CREDITS ON CHECKING ACCOUNTS AND OTHER TRANSACTIONS

This tax applies:

- To all credits and debits made in any bank account, whatever their nature may be, opened with entities governed by the Financial Entities’ Law (*Ley de Entidades Financieras*)

- To all transactions carried out by the entities mentioned in the previous paragraph, the beneficiaries of which do not use the accounts specified therein, irrespective of the denomination given to the transaction and the methods applied to carry it out, including the payment in cash, and its legal implementation
- To all own or third parties' funds movements, even in cash, that any individual, including those falling within the scope of the Financial Entities' Law, made on their own account or on account and/or in the name of any third party, by any means, their denominations and legal implementation, including those methods to credit to establishments adhered to credit and/or debit card systems.

The general tax rate is 0.6% for credits and 0.6% for debits. In certain other cases the rate is 1.2%.
33% of the tax can be applied as a credit towards income tax.
Small companies (PYMEs) can apply the full amount towards income tax.

GROSS SALES TAX

This is a municipal or provincial tax levied on the gross sales of independent activities performed for profit. In the City of Buenos Aires, for instance, the general rate ranges between 3 and 7%, depending the activity

STAMP TAX

The stamp tax is a local tax on documents, which is usually applied at the rate of 1% on any document or exchange of documents evidencing the creation, amendment and/or extinction of pecuniary rights and/or obligations. In each of the provinces this tax is payable upon local execution of what is considered to be a 'taxable document'.

It also applies to a document having 'effects' in a given province (local effects would be the acceptance, protest, or performance of the obligation or the filing of the relevant document with an administrative or judicial local authority for enforcement purposes) other than the one in which it was executed.

In the City of Buenos Aires, this tax is payable only on transactions involving real estate property not intended as a primary residence. The applicable rates are 0.5% on lease agreements, 2.5% on the transfer of real estate property and 0.8% on others.

INDIVIDUALS

Resident individuals are taxed on a sliding scale from 5% to 35%, depending on their net income during the fiscal year. However, income from the transfer of shares, representative securities and deposit certificates shares and any type of corporate participations, including mutual funds shares and rights over trusts and similar contracts, digital currencies, securities, bonds and other securities, will be charged at a tax rate of 15%. The same tax rate (15%) will be applicable to the sale of real estate or transfers of property rights.

CAPITAL GAINS

Income derived from the sale, exchange or other disposition of shares, securities, deposit certificates shares and any type of corporate participations of a local company by non-Argentine residents is subject to income tax, at the following tax rates:
(i) if the seller is located in a cooperative jurisdiction, 15% on the net gain, or 13.5% on the gross amount of the transaction, at the option of the seller; or (ii) if the seller is located in a non-cooperative jurisdiction, 35% on the net gain, or 31.5% on the gross amount of the transaction, at the option of the seller.
. If a non-resident transfers shares, quotas, participations and other rights representative of the capital or equity of an entity incorporated, domiciled or located abroad, the resulting income will be considered as Argentine-source income as long as the following conditions prevail: (i) the value of the shares, participations or rights of the foreign entity, at the time of sale or in any of the 12 previous months, represent, at least, 30% of the value of the assets that the entity owns directly or indirectly in Argentina; and (ii) the sold shares, participations or rights of the foreign entity represent 10% of the equity of that entity, at the time of their disposal or in any of the 12 previous months.

Gains from the sale of shares, bonds, and other securities denominated in local currency with no adjustment clause are subject to a 5% tax on gain. For those denominated in local currency with an adjustment clause, or denominated in foreign currency, the rate is 15% on the gain (the exchange rate difference is not taxed for individuals).

TRANSPARENCY

The Argentine controlled foreign company (CFC) rules have also been amended. Thus, an Argentine taxpayer is immediately taxed on the passive income generated by a CFC that is directly or indirectly held by the Argentine taxpayer to the extent that more than 50% of that CFC's income is passive and is effectively subject to a tax that is lower than 75% of the applicable Argentine income tax rate.

7 – ACCOUNTING & REPORTING

BOOKS AND RECORDS

The Company Law sets basic requirements for keeping accounting records and financial statements of business entities.

All commercial entities must keep official accounting records in books registered in the Public Register of Commerce. Transactions must be entered chronologically and in such a fashion that each one can be identified.

Different regulatory entities set rules governing the accounting records and submission of financial statements for certain types of regulated entities, such as banks, insurance companies and companies which are listed on the stock exchange.

Argentine generally accepted accounting principles are set by the Institute of Public Accountants, of which all public accountants practising in Argentina should be members.

FINANCIAL REPORTING

All companies have to prepare annual financial statements which, in case of Corporations and specific companies, have to be audited by an independent public accountant. Financial statements with the auditor's report must be filed with the regulatory and tax authorities.

The National Securities Commission requires that companies whose shares are listed on the stock exchange submit quarterly financial statements.

Accounting records and financial statements should be written in Spanish and expressed in Argentine pesos (ARS).

Dividends are payable provided they arise from realised and net income as per the annual financial statement approved by the shareholders' meeting.

Oversight authority	Company types to control
CNV (Argentine securities commission)	Companies with listed securities
BCRA (Central Bank of Argentina)	Financial institutions
SSN (Argentine insurance regulatory agency)	Insurance companies
SART (Argentine regulatory agency of workers compensation insurance companies)	Workers compensation insurance companies
IGJ (Argentine regulatory agency of business associations) and similar provincial authorities	Stock corporations, foreign branches, non-profit organizations and foundations

CONTENTS OF FINANCIAL STATEMENTS

Annual financial statements must include:

- A report from the board of directors

- Balance sheet
- A profit and loss statement
- A chart showing the expenses breakdown
- A statement of changes in shareholders' equity
- A cash flow statement.

The last item is mandatory only for companies whose shares are listed on the stock exchange and those subject to permanent government supervision. In both cases, they will also have to submit comparative financial statements for the current and preceding year.

FINANCIAL STATEMENTS OF HOLDINGS

Consolidated financial statements are also required if a company controls more than 50% of the voting shares of another company. When a company does not own 50% of the voting rights of another company but nevertheless exercises significant influence over its decisions, the presentation of consolidated financial statements is recommended, although not mandatory.

ACCOUNTING PRINCIPLES

All professional councils in Argentina are members of FACPCE (Argentine Federation of Professional Councils in Economic Sciences), an organization in charge of coordinating efforts to issue professional accounting and audit standards. The FACPCE issues Technical Resolutions (TR) containing general audit and accounting standards.

In 1998, the FACPCE's governing board decided to implement a plan to adapt Argentine professional accounting standards to the IAS (International Accounting Standards) proposed by the IASC (International Accounting Standards Committee).

Unit of measurement (IFRS and Argentine professional accounting standards)
Both the IASB in IAS 29 and the FACPCE (Argentine Federation of Professional Councils in Economic Sciences) in Technical Resolution Nos. 6 and 17 consider that the existence of an inflation rate accumulated over a three-year period approaching or exceeding 100%, calculated on the basis of a general price index that reflects changes in general purchasing power, is a key indicator to restate the amounts in the financial statements.
Due to macroeconomic factors, the three-year cumulative inflation rate as of June 30, 2018, exceeds 100%. Then, the annual or interim financial statements beginning on or after July 1, 2018, should be restated for the changes in the general purchasing power of the local currency as if the economy had always been hyperinflationary.

International financial reporting standards (IFRS) are mandatory for certain companies (mainly Public companies).

8 – UHY REPRESENTATION IN ARGENTINA

UHY MACHO & ASOCIADOS ARGENTINA

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Position: Managing Partner
Email: rmacho@uhy-macho.com

Year established:	1972
PCAOB registered?:	Yes
Number of partners:	3
Total staff:	42

BRIEF DESCRIPTION OF FIRM

UHY Macho & Asociados is well known in the market for its personalised and tailor-made services. The clients of the firm are mainly international companies or high-net-worth individuals who do business in Argentina and in other areas of Latin America. Over the years the firm has grown its range of services but maintained its core services of taxation advisory services and auditing. UHY M&A is currently very active in the business consulting arena, having completed projects in many Latin American countries. For that purpose a wide variety of specializations are found among the firm's staff. This new breed of services has proven very appealing to clients who appreciate the tools and ideas that are a substantial contribution to the growth of their businesses.

SERVICE AREAS

Auditing
Tax planning and compliance
Transfer Pricing Studies
Accounting
Outsourcing
Management consulting
HR productivity
IT – ERP implementation
Strategic planning

SPECIALIST SERVICE AREAS

Business internationalization
Coaching services to CEOs

PRINCIPAL OPERATING SECTORS

Tourism
Construction
Not-for-profit organisations
Real estate
Energy industry
Financial services

The network for doing business

Government
Transportation
Retail
Manufacturing

LANGUAGES

Spanish, English, Portuguese.

CURRENT PRINCIPAL CLIENTS

(Partial list of clients permitting public disclosure. Confidentiality precludes disclosure of all clients in this document.)
Interval International
Sokka Gakkai International
INTERGRUPO S.A.
MOBO Argentina SRL
Cushman & Wakefield
Champion Technologies
Molinos Rio de la Plata
Molinos Rio de la Plata
Transnational Foods
Faena Group

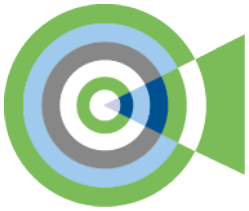
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Belgium, Brazil, Bolivia, France, Mexico, Spain, US, Ecuador, Peru, Venezuela, Canada, Colombia.

BRIEF HISTORY OF FIRM

UHY Macho & Asociados was founded in 1972 by Roberto Carlos Macho, who has been the firm's Senior Partner for many years. The growth of the firm is mainly attributed to the vision of delivering a differentiated service and with a business-oriented mentality. After a few years, and with two partners in service, the firm was recognized as one of the outstanding professional service providers for the middle market in Argentina. When Roberto Macho (jr) joined UHY Macho & Asociados, it was already a well-established accounting firm. However Roberto took a step forward positioning the firm as a full service provider, by expanding the consulting area. The firm was rapidly recognised for its added value to clients. The mission has always been to bring resources usually reserved for big multinational companies to smaller clients at an affordable cost. The efforts were awarded by the client satisfaction and a client base of very well-established international and domestic companies.

The firm joined UHY in 1989, changing its name to include 'UHY' in 2005.



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.