



Doing Business in Argentina

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MSI's guide on Doing Business in Argentina provides current information about the financial, regulatory and legal considerations that could affect business dealings within Argentina. For further assistance please contact one of our MSI member firms in Argentina.

Country overview

Population

Argentina has a total population of 47.3 million inhabitants (Census 2022).

Government

Argentina is a Federative Republic. The current president is Alberto Fernández.

Argentina has 23 provinces plus a federal and autonomous district (City of Buenos Aires).

Each province (and the City of Buenos Aires) has a government, parliament and own courts (including a supreme court)

Languages

Spanish

Currency

Peso

Economic summary

GDP: **€132 billion**

Income per capita: **€9,072**

Inflation: **95% (estimated for this year)**

Main sectors of the economy

The main sectors of activity of Argentina are the agricultural and livestock sectors, the agro industrial activity derived from them, the energy sector and the services sector.

The exports of agricultural products is the main and historical sector in Argentina and generates almost 50% of its exports.

The energy sector is also very relevant. Argentina has the second reserve of shale gas and oil in the world (Vaca Muerta), and is rich in many minerals.

The most growing mineral sector is the lithium sector, as Argentina has one of the biggest reserves in the world.

Also alternative energies are growing very fast due to the conditions of many locations of the country.

Finally, Argentina has very well educated population with very good levels of foreign languages domain, and is very pushing in the technological sector, with many companies quoted in the US stock exchange market.

Setting up a business

The law of foreign investments set forth that Argentine and foreign individuals and companies have to be treated equally.

Foreign non-residents can be holders of local companies.

However, regarding the direction or management, the majority of the corporate directors of local companies have to be resident.

Legal types of business entities

1. Branch
2. Companies with one holder (SAU)
3. Simplified companies with one holder (SAS)
4. Limited liability companies (SRL)
5. Per shares companies (SA)
6. Public companies
7. Cooperatives
8. Foundations

Even if there are companies with only one holder, it is recommendable to choose an SRL or SA for private set ups, as companies with only one holder are strictly controlled, especially in the City of

Buenos Aires, where 90% of the companies are registered.

The capital has to be set in Pesos, and the minimum capital requirements are very low.

Process of how to set up a business

The process of setting a local company is quite simple and quick, even if the holders are foreign non-residents individuals.

The set-up is a bit more complex when the holders are foreign companies, and in certain jurisdictions, off shore company holders or low tax jurisdiction company holders are only allowed in specific and restricted conditions.

Financial year of taxes and financial accounts

Local companies have to approve financial statements once a year.

SAs, and SRLs with a relevant capital, have to file the FS at the public registry of commerce.

FS are filed also with the tax authority and with the stock exchange authority when companies are listed (shares or debt)

Accounting and auditing

FS have to be audited.

Economic and fiscal incentives

The Argentina government offers a number of incentive schemes in various sectors to support companies in their business operations.

Incentives foreign investors/ local investors

The most relevant incentives are related to the export of minerals and oil and gas, and to technological companies.

Taxation

In Argentina, the tax system is complex but at the same time it provides several benefits to companies that start their activities.

The Argentine tax system is mainly based on VAT and income tax

Value Added Tax (VAT)

The current general rate of 21% is applied to the sales value of products and services (including professional services), with a few specific exceptions. This tax is applicable to the import of goods and services.

Certain goods are taxed at a reduced rate of 10.5%, while some services, at a rate of 27%.

The export of goods and services is taxed at a rate of 0%. Nevertheless, input VAT relating to exports may either be used as a credit against output VAT or refunded pursuant to a special procedure. VAT paid on purchases, final imports and rental of automobiles, not considered inventory, may not be computed by the purchaser as a credit. The same tax treatment applies to other services, such as those provided by restaurants, hotels and garages. The above-mentioned restrictions do not apply when these services are hired for a conference, congress, convention or any other similar event directly associated with the specific activity of the contracting party.

Corporate Income Tax

As from FYs starting on or after Jan 1, 2021, a Corporate Income Tax rate applicable to net taxable business profits from 25% to 35% is to be introduced. Legal entities residing in Argentina are subject to tax on Argentine and foreign-source income and are able to claim any similar taxes actually paid abroad on foreign-source income as a tax credit.

Under prior law, the corporate income tax (CIT) rate was 25%. As per the new law applicable to fiscal years starting on or after January 1, 2021, corporate income will be subject to tax at progressive rates ranging from 25% to 35% as follows (amounts are in Argentine Pesos):

- Taxable income from ARS \$ 0 to ARS 5,000,000: 25%
- Taxable income exceeding ARS 5,000,000 and up to ARS 50,000,000: ARS 1,250,000 + 30% on the amount that exceeds ARS 5,000,000.
- Taxable income exceeding ARS 50,000,000: ARS 14,750,000 + 35%

Turnover Tax

Each of the 24 jurisdictions into which Argentina is divided imposes a tax on gross revenues from the sale of goods and services. The export of goods is exempt from this tax. Rates, rules and assessment procedures are determined locally. On average, rates for trade and services range from 3% to 5%. In case of industrial activities, rates are generally lower (ranging from 0% to 2%).

Wealth Tax

Wealth Tax is payable by Argentine companies on all shares/units issued by them and owned either by individuals, regardless of residence, or by companies residing abroad. It shall be assessed and paid directly by the local company as a full and final payment on behalf of the shareholders/ members (the issuing company has the right to recover the tax paid from the shareholder/ member). The applicable tax rate is currently 0.50% of the value of the ownership interest, which is generally calculated as the difference between assets and liabilities arising from the financial statements at December 31 of each year, or during the fiscal year at issue. According to case law issued by the Argentine Supreme Court of Justice, branches of foreign entities may claim an exemption from this tax.

Tax on Financial Transactions

This tax is levied at a rate of 0.6% on the amounts credited to or debited from the

taxpayer's bank accounts. Transactions made in banks without using a bank account and any disposition of one's own funds or the funds of a third party are subject to a tax rate of 1.2%. One third (33%) of the Tax on Financial Transactions actually paid on bank account transactions (0.6%) and movements of funds (1.2%) is creditable against Income Tax and/ or the related tax prepayments

Withholding on dividend distributions

Under prior law, distribution of earnings attributable to FY 2021 were subject to withholding tax (WHT) at a 13% rate. The WHT rate was tied to the prior CIT rate (25%). Law No. 27630 reduced the WHT rate on dividend distributions to non-residents from earnings obtained as from FY 2021 to 7%.

Transfer Pricing Rules

The transfer pricing regulations governing intercompany transactions, which were introduced into the Income Tax Law by Law No. 25063, as amended by Laws Nos. 25239 and 25784, adopt principles similar to those of the Organization for Economic Cooperation and Development (OECD), pursuant to which companies must comply with the arm's length principle to determine the value of goods and services in their transactions with foreign-related companies.

HR/ Labour Law

Employment law

An employment agreement may be agreed for an indefinite or fixed period, and does not require written form.

The indemnification in case of dismissal is relevant (more than one month of salary per year, and several fines in case of defective registration), and could be extended to directors of the companies.

The unions are very strong in Argentina, and after certain quantity of workers, the companies have to have a delegate of the union inside the company.

Social Security Taxes

Social Security Taxes Law No. 24241 (Argentine Integrated Pension Fund

System Law) establishes the territoriality principle, under which Argentina's Social Security System covers all persons providing services under a permanent or temporary employment contract within the national territory. Each month, local employers must pay employer contributions jointly with employee withholdings to the National Social Security System and the National Health Care System. Social Security Tax is payable by employer on the employee's total monthly salary and is not subject to any cap amount. The total employer contribution rate is 26.4% for companies mainly engaged in the provision of services or trade, provided their annual sales exceed the amount established by the regulation that is updated annually (as from April 1, 2022: ARS 1,438,900,000 for services and ARS 5,495,450,000 for trade), and 24% for the rest of companies. Argentine employers are exempt from paying social security contributions for the first ARS 7,003.68 per employee per month- for some activities; the non-taxable amount increases to ARS 17,509.20. The employee social security withholdings, which include pension fund, health care and social services, are payable on the monthly salary, up to a monthly cap of ARS 357,166.98 (as from March 2022), except for June and December, when the cap increases by 50% due to the 13th month salary. This salary cap is index-adjusted in March, June, September and December of each year. The total employee Social Security Tax rate is 17%, which consists of contributions of 11% to the pension fund, 3% to health care and 3% to social services. Should any employee serve as Director of the same company, the social security liability shall be limited to the contributions made as a self-employed individual for the management duties performed. The employee's enrollment in the Social Security System will be voluntary regarding his/her salary as an employee. Thus, if the Director opts not to pay these contributions, the company is under no obligation to pay any employer contributions.

Visa and work permits

Individuals of bordering countries can easily obtain temporary or permanent VISAs.

The usual temporary VISAs are related to work permits, *rentista* (Person Of Independent Means) and students, and are granted for 1 year, renewable for 2 years more (if the resident stays more than half of the year in Argentina), after which the individual can obtain the permanent residency.

Getting the residency is not a complicated matter.

After 2 years of legal residence, individuals can request in courts Argentine nationality.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Argentina should seek professional advice from our member firms before making any business or investment decision.

Contact our member firms in Argentina to discuss your requirements:

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