

Doing Business in Argentina

An Investor's Guide



Agencia Argentina
de Inversiones
y Comercio internacional



Ministerio de Relaciones Exteriores,
Comercio Internacional y Culto
Argentina

This report has been prepared as a general overview. It is not intended to provide a comprehensive approach to the topic. The information is not intended to be AAICI's professional advice. Although the Agency has verified that the information on this document is accurate, AAICI strongly recommends obtaining independent professional advice prior to acting on it.

Content



Overview / Page 5



Setting up a business / Page 19



The Argentine tax system / Page 27



Labor legislation / Page 35



Overview

Introduction

As the World Bank reflects in their own “Doing Business Report”: “An economy cannot thrive without a healthy private sector. When local businesses flourish, they create jobs and generate income that can be spent and invested domestically.

Any rational government that cares about the economic well-being and advancement of its constituency pays special attention to laws and regulations affecting local small and medium size enterprises (SMEs). Effective business regulation affords micro and small firms the opportunity to grow, innovate and, when applicable, move from the informal to the formal sector of an economy.”

The purpose of this document is to introduce and explain the most relevant business regulations that affect the act of Doing Business in Argentina.

Firstly, there is an overview of Argentina. In the sections inside the chapter there is information about infrastructure, population, economy. The first chapter tries to assist those investors who have very little knowledge of the country. Therefore, for a more precise approach, we strongly suggest consulting both the Agency and other national and provincial state agencies.

Secondly, the “Doing Business in Argentina” report provides an initial guide to walk you through the “setting-up-a-business process”, providing a detailed description of the main steps to establish and operate a business in Argentina. This includes guidelines on

the main features of the different types of legal entities available for businesses in Argentina as well as various regulatory frameworks that may be of interest for selected industries. Thirdly, the report explains the Argentine tax system- which includes federal, provincial and local taxes, tax payment procedures and nine (9) of the most remarkable tax incentives in the country. Other incentives are also available for consultation through provincial government agencies. At the end of the chapter, there is a list of the double taxation agreements signed between Argentina and other states. Lastly, the fourth chapter which includes both labour legislation- which will come in need in case the investment opportunity is consolidated.

The Argentine Investment and Trade Promotion Agency (AAICI for its Spanish acronym, “Agencia Argentina de Inversiones y Comercio Internacional”) considers every potential investor as a valuable partner for the economy. The job and income generation resulting from the development of successful businesses is our central objective. Therefore, this report is only a first step. We hope to accompany and assist you further through the process to guarantee your success.

Demography and Infrastructure

Demography

The national population is made up of 45,376,763 inhabitants. According to the INDEC's estimations for this year, there will be 23,103,631 women and 22,273,132 men (i.e. for every 100 females there will be 96.4 males).

The population density in 2020 will account for 11.9 persons per square kilometre (Km²). INDEC's estimation of Argentina's annual population growth rate in 2019 was 1.01%. The proportion of people below the age of 15 is estimated to be at 24.3% for 2020, 64.1% between 15 and 65, and 11.6% for the age of 65 or older.

The population is not homogeneously distributed among the provinces: The Pampa region, with only 20% of the total surface, accounts for 65% of the population according to 2020 estimates. The Autonomous City of Buenos Aires is the most densely populated city with 15,151 inhabitants/km² followed by Tucumán (with 64.3 inhabitants/km²), while the southern province of Santa Cruz only has 1.1 inhabitant/km².

Argentina is highly urbanised, with 91% of the population living in urban areas (defined as those with 2,000 inhabitants or more). Argentina's official language is Spanish, and it is spoken by the entire population in several different accents.

In terms of development, the Human Development Index (HDI) published by the United Nations Development Program (UNDP) places Argentina among the countries in a very high human development category. In 2019, Argentina ranked second in Latin America and 48th in the world rank.

According to OECD, the population with tertiary education is near OECD's average, 40% for some age segments and above this average for others (29% for population between 55 and 64 years old). In comparison with Latin America, Argentina shows the best results in English proficiency and has an annual average of 125,000 college graduates and 15,000 postgraduates.

Regarding the educational system, in Argentina there are 3,220 establishments in total dedicated to vocational and technical education and 131 universities through the 24 provinces. A remarkable fact is gender distribution: 61% of college graduates are female.



45,376,763 inhabitants
100 females
96.4 males



Human Development Index
2nd in Latin America
48th in the world rank



Educational system
3,220 establishments
131 universities

Infrastructure

Argentina has 37,500 kilometres of federal routes. “National Roads” is a dependant agency of the Ministry of Public Works, which oversees Argentine routes maintenance and improvement. Through the Agency agents it is possible to obtain information about Argentine routes and future public tenders. Also on the website of the Ministry.

Regarding air transport, the country has 55 airports- 22 of them are international. The most important ones are Ezeiza International Airport (Minister Pistarini) in Buenos Aires and Jorge Newbery Airport in the Autonomous City of Buenos Aires. The other relevant ones are in Mendoza, San Carlos de Bariloche in Río Negro, and Córdoba.

Currently, there are 8 provinces that connect Argentina with the rest of the world through airways: Buenos Aires, Córdoba, Santa Fe, Mendoza, Salta, Tucumán, Río Negro and Neuquén; the new routes requested will add Jujuy, San Juan, La Rioja, Corrientes, Misiones, Chaco, Catamarca, Chubut, Santa Cruz and Tierra del Fuego to that list.

Regarding ports, Argentina has a total of 101 harbours across the entire nation and 40 port areas along the Atlantic Ocean. There is one in the Autonomous City of Buenos Aires that concentrates 60% of the cargo containers of the country. There are 10 in Buenos Aires province. In the south, the Patagonia region has 15 ports, which are mainly dedicated to the transportation of petroleum and fish. In Santa Fe province, there are 3 ports mainly used for grain exports. Finally, there are 11 more in the Northeast region. **Last year, 1.5 million containers and over 159 million tons were transported through Argentinian docks.**

The Federal Administration has made great progress to improve the quality of mobile communications and internet access in the country.

Argentina has one of the most dynamic mobile markets in Latin America, being the third largest in the region after Brazil and Mexico. Mobile penetration accounted for 125.5 accesses per 100 inhabitants during 2019. In terms of internet speed, Argentina is still a little behind, when compared to other neighbouring countries, regarding fixed broadband (Argentina had a 9.9 Mbps average of fixed broadband speed vs. 15.7 Mbps in Latin America in 2018). Nevertheless, progress is being made to narrow the gap. In terms of mobile connections, Argentina is in line with the regional average (7.9 Mbps average speed vs. 8.0 Mbps Latin America Average in 2018). **It is important to highlight that 93% of the population is covered by 4G network.**

The country energy sources are mainly two: gas (54%) and petroleum (31%). The other 15% is integrated by hydropower, nuclear energy, mineral carbon, firewood, bagasse energy, vegetable oils, alcohol plants, wind and solar energy. The Federal Administration has already begun fostering investments and implementing measures aimed at utilizing the substantial potential of Argentina’s energy industry.

Economy

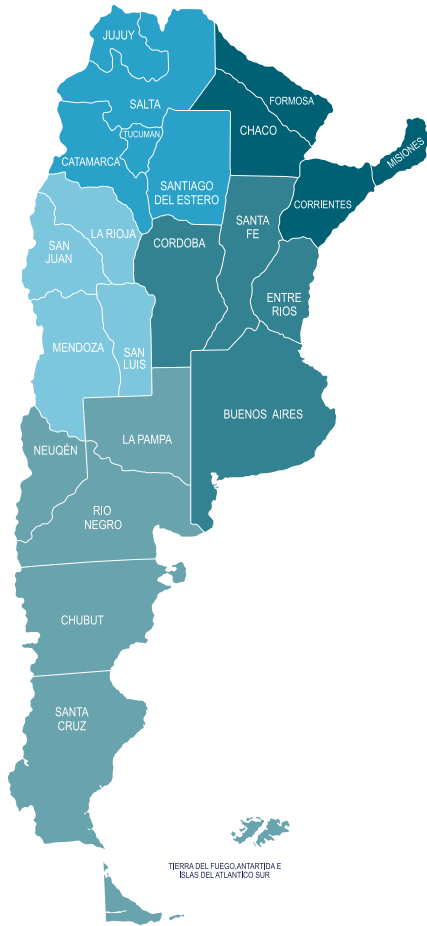
GDP and Economic Activity

Argentina is the 3rd largest economy in Latin-America in terms of GDP. In 2019, the GDP reached USD 449 billion and the GDP per capita approached USD 9,999.

In terms of sectors, Argentina has a highly diversified economy. The primary sector is internationally renowned for its high productivity levels and its use of advanced technologies. The country's well-developed industrial base showcases key sectors such as: agribusiness, automotive industry, pharmaceutical, chemical and petrochemical industries, biotechnology and design manufacturing. The service sector is the largest contributor to the total GDP, accounting for over 47.8% at constant prices.

The country is a leading food producer. Argentina is the third worldwide producer of soybeans; the fourth worldwide producer of soybean oil, soybean meal and sunflower (seed, meal and oil); the sixth worldwide producer of corn; the seventh worldwide producer of barley; the eighth producer of sorghum and the thirteenth of wheat. Argentina ranks fourth in holding resources of shale oil and second in the case of shale gas. The country also possesses gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stones.

Argentina is a top manufacturing country in the region, the manufacturing value added in 2019 was USD 58 billion. The leading industrial sectors in terms of production gross value are food processing, beverages, chemicals, pharmaceuticals, motor vehicles and auto parts, coke manufacturing, oil refining and nuclear fuel. Nevertheless, the difference between Argentina's investment opportunities in manufacturing and those in other Latin America's countries is its human capital and its industrial tradition with a diverse supply network.



Argentina is endowed with valuable natural resources, spread along the territory. The most relevant sectors by region are as follows:

NORTHWEST

Agricultural products: soy, maize, sugar, cane, rice, citrus, industry, wood.

Mining: gold, silver, lithium, potassium.

Renewable energy (solar). Gas.

Industrial: Textiles.

NORTHEAST

Agricultural products: rice, soy, maize, yerba mate, tea, tobacco.

Citrus Industry. Forestry (pulp and paper), aquaculture.

Mining: precious and semi-precious stones.

ICT, software (Misiones, Chaco):

CUYO

Mining: gold, silver, copper, lime.

Agricultural Products: Wine, dried fruit, olive.

Electronic appliances manufacturing.

Renewable energy (solar and wind).

ICT, Software (Mendoza)

CENTER

Agricultural products: soy, wheat, maize, sunflower, peanut. Cattle raising, dairy.

Industrial: Automotive industry.

Agricultural equipment.

Petrochemical, Pharmaceutical, Real estate, Creative – Cultural industries.

ICT (Buenos Aires, Córdoba).

PATAGONIA

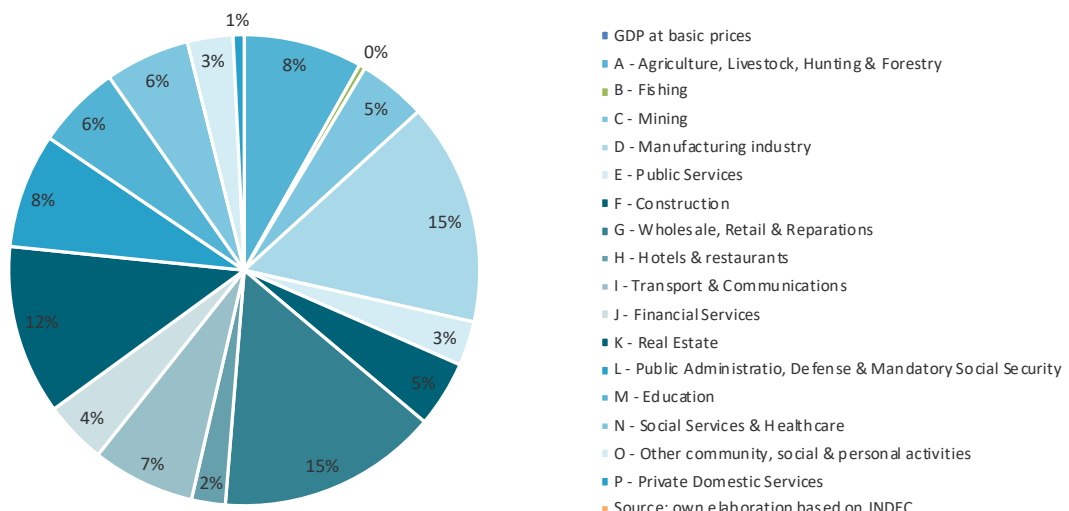
Agricultural products: Fish. Fruits. Lamb.

Energy: Petroleum / shale oil / shale gas

Renewable energy (wind)

Industrial: Electronic manufacturing.

Composition of GDP by economic activity, 2019



Foreign Trade

Argentina is a member of the World Trade Organization and MERCOSUR, a market of approximately 295 million consumers. The country has free trade agreements with Israel, Chile, Egypt, Peru, Colombia and Bolivia, and preferential trade agreements with Brazil, Chile, Colombia, Ecuador, India, Mexico, Paraguay, Uruguay, Venezuela, and the Southern Africa Customs Union.

Argentina's main trade partners are Brazil, China and the United States, both in exports and imports of goods. 61% of the products sent to Brazil are transport material and vegetable/crop products. The main products exported to China are soybeans by-products (over 44%), while the items sent to the United States are products from the chemical industry, the oil industry, and the like (24%), common metals and their manufacturing (17%). Nevertheless, Argentina's exports to the Eurozone accounted for over 10% of the total exports. Chile, India and Vietnam are also important trade partners.

As regards imports, Argentina mainly buys transport material from Brazil (49% of its total imports come from

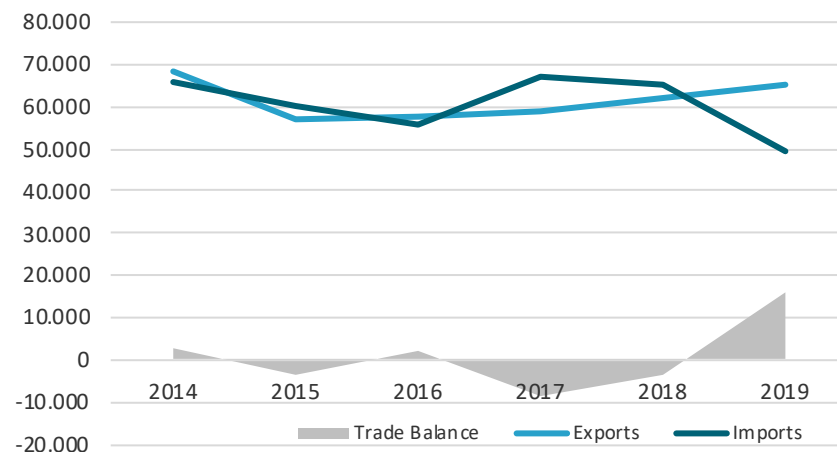
this country), electrical and electronical equipment from China (33% of its total imports come from China), and products from the chemical industry or the like from the United States (23% of Argentinian imports come from the United States).

The trade balance in Argentina shows a surplus in seventeen out of the last twenty years and, in 2019, there wasn't any month with trade deficit.

The first quarter of 2020 displays a better performance of exports than imports- a trend which continues. Nevertheless, the trade balance of services has been historically negative. But two items have showed positive balances (i.e., exports higher than imports): business, professional and technical services, as well as IT services. Export-oriented services companies have consolidated in the last few years, mainly because of the human talent available in the country.

In 2019, due to external and internal factors, the nominal exchange rate depreciated sharply, reaching a more competitive real exchange rate that would favour the balance of the current account.

Foreign Trade

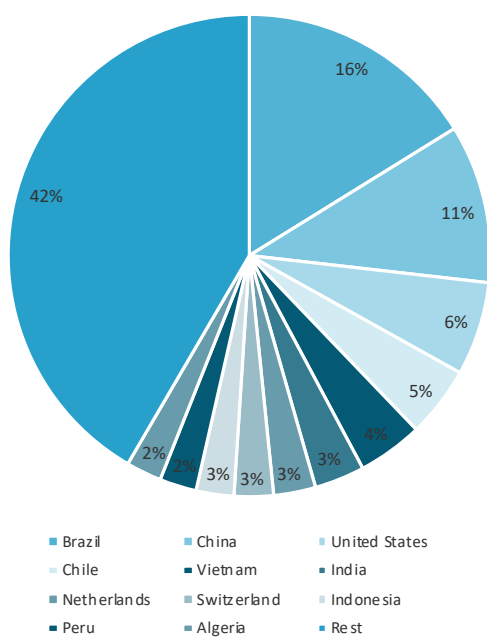


Source: Own Elaboration based on Indec.

Years	2018		2019	
	Exports FOB	Imports CIF	Exports FOB	Imports CIF
Total	100%	100%	100%	100%
Animal & Animal Products	9%	0%	10%	1%
Vegetable Products	19%	5%	24%	5%
Animal or Vegetable Fats and Oils	6%	0%	7%	0%
Prepared Foodstuffs	21%	2%	19%	2%
Mineral Products	6%	11%	6%	10%
Chemicals & Allied Industries	7%	15%	6%	18%
Plastics / Rubbers	2%	5%	2%	6%
Raw Hides, Skins, Leather, & Furs	1%	0%	1%	0%
Wood & Wood Products	0%	0%	0%	0%
Pulp of Wood or of Other Fibrous Material	1%	2%	1%	2%
Textiles	1%	2%	1%	2%
Footwear / Headgear	0%	1%	0%	1%
Stone / Glass	0%	1%	0%	1%
Natural or Cultured Pearls	4%	0%	4%	0%
Base Metals	4%	6%	3%	6%
Machinery / Electrical	2%	26%	2%	29%
Transportation	12%	18%	10%	12%
Precision Instruments	0%	3%	0%	3%
Arms and Ammunition	0%	0%	0%	0%
Miscellaneous Manufactured Articles	0%	2%	0%	2%
Works of Art	0%	0%	1%	0%
Special Transactions	2%	1%	2%	1%

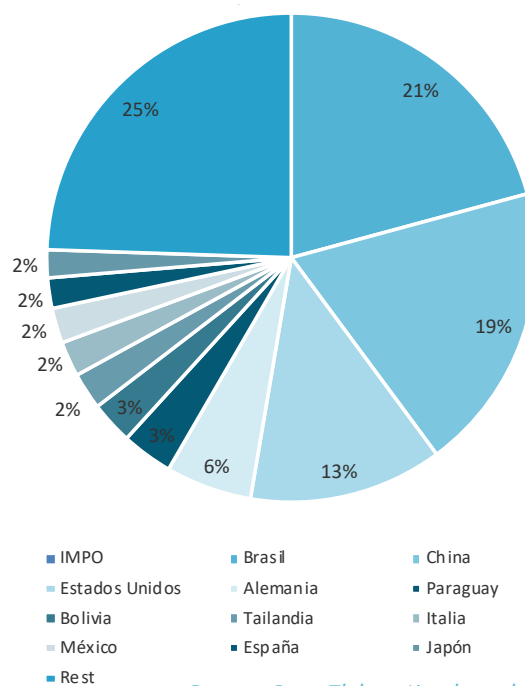
Source: Own Elaboration based on Indec.

Exports 2019



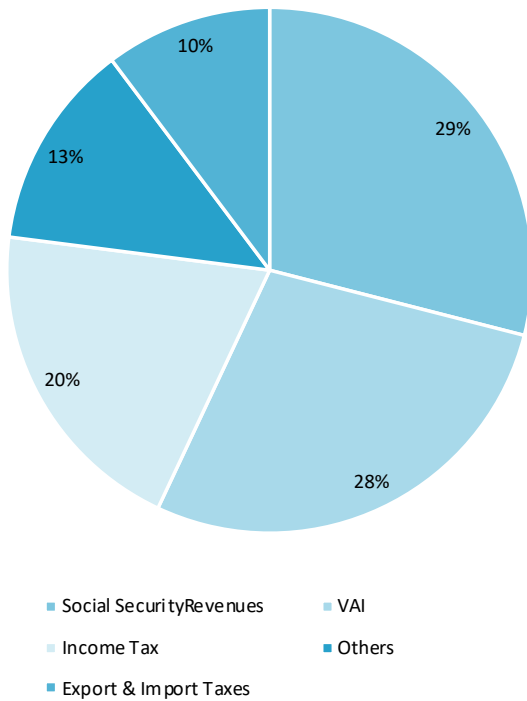
Source: Own Elaboration based on Indec.

Imports 2019



Source: Own Elaboration based on Indec.

Taxes, share % 2019



Source: own elaboration based on MECON

Public Sector

The National Government’s revenue was at around 18.2% of the GDP in 2019. More than half of it comes from tax collection, while one third relates to social security income. The rest comes from property income, non-taxable income, current transfers and sales of goods and services.

On the other hand, the main national public expenditure share of GDP reached 18.6% in 2019. Over 80% of the expenditures are concentrated in 3 areas: 59.6% are salaries and social security expenses and, around 20.8%, are transfers to the private sector.

The gross tax burden reached 29.1%, including national, provincial and municipal taxes (defined as the percentage ratio obtained between the total tax revenue and the capital gains and taxes from all state levels in terms of GDP).

Macroeconomic Policy

The economic program aims to address Argentina’s economic challenges by establishing a sustained trend of economic growth in a stable macroeconomic environment. By fostering social inclusiveness and productive development- mainly through the supply of internationally traded goods. From a policy standpoint, this implies a flexible management of the immediate urgencies which arise in this uncertain context, while keeping a longer-term perspective. Ongoing developments related to the Covid-19 outbreak highlight the importance of policy flexibility in the face of an uncertain world.

Despite this global contingency, the policy measures implemented are consistent with a comprehensive program aiming to guarantee a recovery of the economic activity, employment, imbalances management and support to the most vulnerable. **The policy strategy relies on three pillars: (i) strengthening of the social safety net; (ii) providing an orderly resolution to the debt crisis and (iii) establishing a fiscal consolidation path compatible with a disinflation process.**



strengthening of the social safety net



providing an orderly resolution to the debt crisis



establishing a fiscal consolidation path compatible with a disinflation process

The adoption of the Social Solidarity and Production Reactivation Law provides a wide range of economic and social reforms. A set of policies implemented to strengthen transfer programs for lower-income population and to avoid an increase in unemployment in the most vulnerable sectors of the labor market.

The resolution of the debt crisis in an orderly manner aims to bring public debt into a sustainable path-consistent with reasonable prospects of sustainable economic growth, and a plausible short-and-long-term fiscal trajectory-with sufficient buffers against future financial shocks compatible with an orderly easing of capital account regulations which will eventually boost growth.

As for the fiscal strategy, the tax policy aims at contributing to fiscal sustainability by strengthening tax resources without neglecting equity aims, together with other measures implemented to improve tax compliance. As regards expenditure, there's a review process of relevant policies, for instance, a new indexation formula for retirement and pension payments, based on the principle of shared growth, is being developed.

The convergence to a disinflation path is central, and compatible with the gradual fiscal consolidation and the increase in the degrees of freedom of the monetary policy. On this basis, price-wage agreements, which are consistent with competitiveness and inflation objectives, are additional tools to coordinate expectations along the process. Fostering demand for peso-denominated assets is also a high priority.

In relation to FX policies, the capital account regulation is a necessary instrument in times of emergency; thus, they will be maintained in the early phase of the recovery program for a while. However, the goal is to ease those regulations in an orderly way. Foreign exchange reserve accumulation targets are a necessary condition to achieve that goal.

The Covid-19 outbreak will critically impact the economy, notably owing to the “social distancing” measures put in place across the globe. Nevertheless, measures to address the Covid-19 crisis have been rapidly adopted, in line with international standards aimed at protecting the most vulnerable factions of the population and economic sectors. Economic policy measures taken so far entail a fiscal stimulus, whose amount will be conditional to the length and impact of the quarantine.

Amidst the implemented policies, it is worth mentioning that a new emergency one-off bonus for households relying on informal activities, such as domestic or self-employed workers who have suffered income losses, was added to reinforce the already existing policies. On the other hand, the government will also pay part of the salaries of formal workers and exempt employers from social security contributions in those sectors critically affected by the lockdown.



Starting up a Business

An important disclaimer is that Argentina, as a large federal country, may not have similar provincial legislation across the 24 provinces; therefore, this is not a precise guideline and, in this regard, should not be used as an exhaustive document. This chapter seeks to give the investor an outline on the subject.

Introduction

The following section is a step-by-step initial guide to assist investors who are unfamiliar with the country and the business bureaucratic requirements.

According to the World Bank's Doing Business Report for 2020, only eleven and a half days on average are needed to fulfil the procedures to start up a business in Argentina. The whole average in the region is 28.8 days and Argentina is the third best country in South America. It is also one of the most inexpensive countries to start up a business in the region.

Regarding quality controls, Argentina, again, has a higher region average (11 to 9 respectively out of 15 points on the score index) and has an outstanding top 3 performance on energy costs as a share of income per capita (according to the World Bank) in Latin America. In the same breath, the energy supply reliability is above the regional average.

As regards the property registration ranking, Argentina is above the region in every category, except for costs, where it is even. Argentina is also top five on protecting minority investors against self-dealing. For exports, the

average time cost for border compliance is top 4 in the region and it is the fastest in South America and only 8 hours behind OECD countries index. For documentary compliance, the time is 10 hours less than the region average. In terms of the enforcement of contracts, Argentina has one of the lowest costs over claim value ratio and has the second-best quality of judicial processes after Brazil.

Step by Step in Argentina

The following is a step-by-step guide for the starting up of any business in Argentina. However, as this is only a general guideline, without the specific requirements of each province, it should be considered only as a general overview of the procedures involved, and not as an accurate description.



1

Setting up

Company ID (1)
Investment type (2)
Accounting Requirements (3)
Intellectual Property (4)



2

Registration and Location

Tax ID and Fiscal Code (1)
Location decision (2)
Report with local tax authorities (3)



3

Apply to incentives



4

Staff

Register as an employer (1)
Labour risk insurance (2)
Mandatory life insurances (3)
Labour books (4)
Hiring (5)

Setting up (1)

Company ID (1)

Select an entity type (A)

First of all, investors should choose the entity type which suits the investment they are willing to do best. For such election, the Argentine legislation offers a wide range of options which are listed and specified at the end of this chapter.

Verify name availability (B)

Access the Public Registry of Commerce (“Inspección General de Justicia” or IGJ) website and complete the form on “Control of Homonymy” section.

Reserve entity name (C)

By submitting the previous form. It is mandatory to upload the form to the site in less than 30 days; otherwise, the request will expire.

Investment type (2)

For registration, there are five possible paths according to the investment choice.

• Branch of Foreign Business

Although the branch shall be registered at the Public Registry of Commerce (“Inspección General de Justicia” or “IGJ”) and the corresponding provincial registry of societies, it is a decentralization of the company’s head office, with no legal entity of its own, ruled by the laws of the country of origin of its head office, which is responsible for the branch’s operations.

Said company does not require either its own capital, or shareholders’

or board’s meetings, or records of minutes whatsoever. It must have its accountability separated from the head office’s and must file annual financial statements to the IGJ.

The branch must be managed by a legal representative, who must be a natural person.

Requirements:

-Form “Inscripción de sociedad constituida en el extranjero para el ejercicio de la actividad habitual” (Art. 118 LSC) approved.

-Prequalification report issued by local notary public or lawyer.

-Head-office documentation (duly legalized, apostilled and translated).
(i) articles of incorporation, (ii) certificate of good standing, (iii) government’s body resolution regarding the branch’s creation, stating an address, its fiscal year end and its representative’s designation, and (iv) proof of the fact that the head office’s main activity and assets are located outside Argentina.

-Identification of its shareholders or legal partners.

-Politically exposed person affidavit.

-A document signed by the representative and certified by a notary public where (s)he accepts her/his appointment and provides personal information, including the national tax ID number.

-Payment of registration fee at IGJ.

-Registration must be published on the Official Gazette.

- **Foreign shareholder or partner of a local entity**

In order to own shares or quotas of an Argentine entity, a foreign company must be, firstly, registered at the IGJ and the corresponding provincial registry of societies in that regard.

The company registered locally is a separate entity from its head office, with its own rights and obligations, its own capital and its own governing and administrative bodies. Therefore, the head office is not responsible for its operations. The branch shall be responsible before third parties with its own assets.

It must fulfil the same requirements that a branch of foreign business.

- **Foundation of a local company**

Drafting and signing the company's bylaws – which must include: (i) identification of the shareholders or partners; (ii) name and domicile; (iii) purpose; (iv) capital, identifying each partner's contribution; (v) terms; (vi) provisions regarding management, auditors and shareholders' meetings; (vii) provisions regarding profits and losses; (viii) partners' rights and obligations; and (ix) provisions regarding the company's performance, dissolution or liquidation. Depending on the type of entity chosen, bylaws shall be signed in a public document (SA or SAU) or in a private one with notarized signatures (SRL).

Depositing the initial capital – SAU's capital must be fully subscribed and paid up upon its incorporation. Remaining entities may only deposit, at least, 25% of their capital at the beginning, completing the remnant

within 2 years. Those amounts must be deposited in “Banco de la Nación Argentina”, where the corresponding deposit receipt or a notary public's certification will be required.

Publishing a notice in the Official Gazette of the Republic of Argentina with the following information: (i) identification of the shareholders or partners; (ii) date of the bylaws; (iii) name; (iv) domicile; (v) purpose; (vi) term; (vii) capital; (viii) managers and auditors; (ix) representative; and (x) fiscal year closing date. In order to publish the notice, in case it is the legal representative who does it, (s)he shall submit a Note to the Official Gazette.

Filling in the registration request at the IGJ and the corresponding provincial registry of societies: (i) form duly stamped; (ii) prequalification report; (iii) bylaws and registered office; (iv) notice signed by the managers and the auditors accepting their designation and a guarantee in favour of the regular directors; (v) notices published on the Official Gazette; (vi) proof of the capital's deposit; (vii) politically exposed person's affidavit by directors or auditors; and (viii) payment of the registration fee. This is a general description that may change according to each province.

- **Acquisition of stock ownership in an existing local company**

-Signature of a letter of intent or memorandum of understanding and confidentiality agreements.

-Due diligence of the target company.

-Signature of the purchase agreement and submission of the corresponding shares certificates.

Investment Types



- Branch of Foreign Business
- Foreign shareholder or partner of a local entity
- Foundation of a local company
- Acquisition of stock ownership in an existing local company
- Acquisition of a goodwill

-If the target company is a Corporation: (a) the board of directors must be notified of the shares' transfer; (b) the shares' transfer must be registered at the Registry of Shareholders' Book; and (c) if there is a change in the managing body, a Shareholders' Meeting shall be held in that respect to accept resignations and make appointments. Then, the newly appointed authorities must be registered at the IGJ. The new Chairman must link his/ her own tax ID number with the company's ID.

-If the company is a Limited Liability Company, the transfer of the quotas and the management changes, if applicable, have to be registered at the IGJ. The new Chairman must link his/ her own tax ID number with the company's ID at AFIP.

- **Acquisition of a goodwill**

It is a procedure that implies the purchase of all the assets of the vendor's business, including not only the facilities, equipment, furniture and tools but also the business' name, the

lease agreements and the customers. It differs from the acquisition of ownership interests in the fact that, by acquiring a goodwill and following its procedure, the buyer is not responsible for hidden liabilities, without the need of contractual provision in that regard.

-Signature of a bill where the vendor should provide the buyer with a detailed and signed note of all the liabilities.

-Publishing a notice on the Official Gazette with a detail of the transaction and information on the place and the date when the vendor's creditors must present their oppositions.

-Creditors have a 10 days' period since the last notice published to oppose to the transaction.

-If an opposition is filed, the buyer has to withhold from the purchase price the amount of such liability and deposit it as guarantee in a special account at the "Banco Nación". The sole deposit shall not imply payment.

-That deposit is valid for a 20 days' period in which creditors should place a lien against it. If they do not, the deposit is released after those 20 days.

-The creditor who has not placed a lien cannot initiate a claim against the buyer or the assets that are a part of the goodwill once they are transferred- the only exception is for labour creditors, who can claim against both buyer and vendor.

-The purchase price shall not be lower than the amount of the liabilities mentioned in (1) along with the ones corresponding to the creditors that have filed an opposition.

-If there were no oppositions, or if the previous procedures were followed, the purchase agreement is signed and registered at the IGJ and the corresponding provincial registry of societies. The transaction is binding to the parties since that signature and to third parties since it is registered. For third parties, said transaction will be valid upon registration.

The IGJ is the official agency in charge of societies in the Autonomous City of Buenos Aires.

Accounting Requirements (3)

After the registration at the IGJ is completed, according to the legal society specifications, a notary public must require the following at the IGJ: corporate books (except for foreign entity branches) and accounting books. There could be differences according to the legal entity established.

Every company must register at the public registry of societies in each province as well, where the procedure may differ.

Intellectual Property (4)

Patents (A)

The National Agency of Industrial Property ("Instituto Nacional de Propiedad Industrial" or INPI) is the department in charge of patents. A form must be filled in.

Trademarks (B)

Accepted Trademarks are valid for 10 years, after which they can be renewed. The procedure is online.

Industrial drawings and design (C)

Only new and original designs or drawings, which have not been exploited or disclosed before, can be registered. The INPI oversees the registration.

Domain ".ar" (D)

It must be requested at AFIP through NIC Argentina websites. A legal representative must be appointed.

Registration and Location (2)

Tax ID and Fiscal Code (1)

The competent authority is the Federal Administration of Public Revenues ("Administración Federal de Ingresos Públicos" or AFIP). Request tax ID of the legal representative and fiscal code at AFIP's office, accept the representative's biometric data and disclose the business activity at AFIP's website and, finally, obtain the company's CUIT and link it with the representative CUIT at AFIP's office.

Location decision (2)

If you need to decide where the company should be established, this report can only provide information regarding provincial agencies. Investors can receive a wide range of information regarding tax incentives and local benefits for investing in certain provinces. In addition, it includes information regarding property acquisition, permits and public utilities services.

The AAICI recommends obtaining further information on the provinces characteristics that suit the company's objectives best. To that end, we can provide information regarding economic sectors and their allocations.

Report with local tax authorities (3)

Every province has a local tax agency where the investor needs to be registered with the information already registered at national level.

Apply to incentives (3)

In Argentina there are multiple tax incentives at the federal level. For such information, please go to the last section of this chapter. However, for some provincial tax incentives, the AAICI recommends asking the federal trade and investment network "Red Federal" through the AAICI website.

Staff (4)

Register as an employer (1)

On the AFIP's website, the employer must register as such for social security purposes. Every employee must be registered through the website.

Afterwards, the company must make an appointment in the local registry of employers as well.

Labour risk insurance (2)

Every employer must be either self-insured or have a labor-risk insurance.

Mandatory life insurances (3)

Every employer must hire a mandatory life insurance for each employee.

Labour books (4)

The labour books are a provincial procedure. For more precise information, go to Chapter 4 of this report.

Hiring (5)

There are several hiring options. For instance, universities across the country may sign internship agreements for a maximum of one year. The government has a public registry of universities that may prove useful. Besides, employers may register workers in unions or in private employment agencies.



Argentina has an annual average of 125,000 college graduates and 15,000 postgraduates.



131 universities through the 24 provinces



3,220 establishments in total dedicated to vocational and technical education

Legal societies

Legal societies

The investment vehicles which are most often used by non-residents and foreign companies are: Corporation (“Sociedad Anónima”), Limited Liability Company (“Sociedad de Responsabilidad Limitada”) and Branch (“Sucursal”).

The basic characteristics of each of these entities, according to the Argentine law and to the regulations of the Argentine Regulatory Agency of Companies (“Inspección General de Justicia” or “IGJ”), are described below.

Corporation (“Sociedad Anónima” or “S.A.”)

- Capital is divided into shares of stock. Shares must be registered and must be non-endorsable. According to the rights granted, shares may be classified into common or preferred shares.
- Transfer of shares is generally unrestricted, but certain restrictions may be included in the corporation’s bylaws.
- They may have one shareholder (single-owner corporation) or more than one shareholder (multiple-member corporation).
- Shareholders’ liability is limited to their capital contributions. The minimum capital required is ARS 100,000.
- If foreign business associations wish to hold shares in a corporation set up in Argentina, they must previously file their articles of incorporation or bylaws to the IGJ, among other documentation, to be registered by such authority as a shareholder of an Argentine company.

- Shareholders must hold, at least, one regular meeting every year for the main purpose of approving financial statements, considering the results of the fiscal year, the performance and compensation of the members of the board and the statutory auditors, and appointing directors and statutory auditors, if applicable.

- The Shareholders’ Meeting appoints the members of the Board of Directors. One or more individuals (depending on the provisions of the bylaws) may compose the board. The majority of directors must be Argentine residents. When the corporate capital rises to the amount of ARS 50,000,000 - the appointment of three principal directors is mandatory.

- Some stock corporations, which are subject to permanent government supervision, should have their own supervisory position within the company. Depending on the circumstances, this position may be filled by an individual statutory auditor (“Síndico”) or by a statutory audit committee (“Comisión Fiscalizadora”) appointed at the Shareholders’ Meeting.

Single-Owner Corporation (“Sociedad Anónima Unipersonal” or “SAU”)

The Argentine Companies Act allows for the incorporation of a Single-Owner Corporation, a specific type of Stock Corporation. The special requirements of the “SAU” are as follows:

- The “SAU” may only be a corporation; no other entity may be registered as 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.
- The “SAU” is subject to permanent government supervision and must appoint, at least, one statutory auditor and an alternate one.

Limited Liability Company (“Sociedad de Responsabilidad Limitada” or “SRL”)

- Members limit their liability to the par value of the membership interests (“cuotas”) they agree to subscribe. Membership interest transfers shall be registered at the IGJ.
- The number of membership interest holders shall be, at least, 2 and shall not exceed 50. If foreign business associations wish to hold quotas of an Argentine Limited Liability Company, they must be previously registered at the IGJ.
- No minimum capital is required. However, the IGJ requires the capital subscribed by members to be adequate in relation to the company’s corporate purpose.
- The “SRL” is managed by one or more managers appointed for a fixed term or indefinitely.
- The appointment of a statutory auditor 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” with respect to partners’ and managers’

liability, with a few exceptions. If more than one manager is appointed, liability will depend on the provisions of the bylaws.

Members limit their liability to the par value of the membership interests (“cuotas”) they agree to subscribe.

Branch of a foreign company (“Sucursal”)

- These entities must be duly organized under the laws of their country of origin, prove the existence of their head offices abroad, register the articles of association or bylaws, among other documentation, at the IGJ, and appoint and register a legal representative.
- Branches are required to keep books separately from those of their head offices, and to file their financial statements before the IGJ. It is not necessary to allocate capital to the Argentine branch of a foreign company.

Other Forms of Investment Entities and Business Participation Partnerships (“Sociedades Colectivas”)

According to the provisions of the Argentine Companies Act, all partners are jointly and severally liable for the partnership’s obligations. The company will be managed by any of its members, unless otherwise stated in the bylaws. There is no minimum capital required.

Joint Ventures (“Uniones Transitorias”)

The purpose of these temporary associations of business enterprises is to develop or execute specific jobs or provide 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 foreign company may be a member of a local “UT” as long as it is locally registered as a branch. The “UT” agreement and the appointment of the representative must be registered at the IGJ.

Cooperating groups (“Agrupaciones de colaboración”)

The purpose of these groups is to create a common organization among several parties to facilitate or develop certain phases of its members’ activities, or to improve or increase the results of such activities. As with “UTs”, this type of contract-based business integration does not create a separate legal entity distinct from its members, but it must be registered at the IGJ. They are non-profit organization. Their members are jointly and severally liable for the obligations undertaken by this organization.

Cooperating consortium agreement (“Consortios de cooperación”)

They are quite similar to cooperation groups; however, (i) the profits of the activity will be distributed among the

members according to the provisions of the agreement (in case of silence, in equal parts) and (ii) their members may agree not to be jointly and severally liable for the obligations undertaken by the legal representatives of the consortium. The agreement and the appointment of the legal representative must be registered at the IGJ.

Trusts (“Fideicomisos”)

Trusts, which are contract-based agreements according to the Argentine law, allow partners in an enterprise to isolate certain assets or property to be used for specific purposes. The term for a trust cannot exceed 30 years since the execution of the agreement, unless the beneficiary is an individual with reduced capabilities. Any assets may be subject to a trust, except for future inheritance.

According to the local legal framework, the trustee must exercise the judgment of a reasonably prudent businessman and the agreement must be registered at the Registry of Commerce.

In addition to the general provisions, the law contains certain specific regulations for some types of trusts, like financial trusts and last will trusts.

Legal societies



Corporation
 (“Sociedad Anónima” or “S.A.”)

.....

Single-Owner Corporation
 (“Sociedad Anónima Unipersonal” or “SAU”)

⋮

⋮

Branch of a foreign company (“Sucursal”)

.....

Limited Liability Company (“Sociedad de Responsabilidad Limitada” or “SRL”)

Dispute Resolution

Dispute Resolution

In every conflict in Argentina the judicial system oversees the procedure, but there are pre-judicial instances for each case.

In case of conflict between the company and consumers

The competent court is the National Commission for Fair Competition (CNDC, for its Spanish acronym), which decides whether the conflict should be resolved in favour of the company or the consumer. Prior to that, an agreement between parties can be reached with no further legal costs, through legal mediators and with the supervision of the CNDC.

In case of conflict between the company and workers

The labor law oversees every legal procedure between employers and employees. Before that instance, one can resort to the Mandatory Labour Conciliation Service ("SECLO", for its Spanish acronym) that allows for a non-judicial instance for the resolution of the conflict.

In case of conflict between two companies

The commercial law oversees the legal issues regarding companies. Nonetheless, there are pre-judicial instances for the resolution of conflict.

In case of conflict between the state and the company

There are special courts for cases of conflict between the State and private parties, such courts are legally allowed to enable pre-judicial mediations.

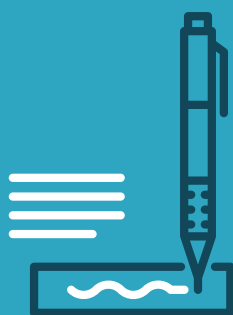
Regulatory Framework



Financial activities



Insurance activities



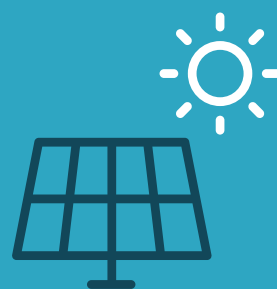
Capital Markets regulations



Oil and Gas



Mining



Energy and Natural Resources

Financial activities

Pursuant to the Financial Entities Law No. 21,526 (FEA), which governs banking and financial activities in Argentina, the Central Bank is responsible for a) regulating and supervising all financial institutions, b) authorizing the operation, merger and transfer of the banking aspects of financial institutions, and c) authorizing the establishment of foreign bank branches and representative offices.

Insurance activities

According to Law No. 12,988 (as amended) only insurers duly authorized by the Argentine Insurance Regulatory Agency (SSN) may insure persons, goods and other insurable interests of national jurisdiction. In addition, Law No. 20,091 establishes that the following types of business entities may perform insurance activities in the country:

1. Corporations (SA), cooperatives, mutual organizations which are incorporated and domiciled in Argentina.
2. Branches or agencies of foreign insurance companies, cooperatives and mutual organizations, which have been allocated local capital.
3. Government-owned entities, whether national, provincial or municipal.

Capital Markets regulations

On May 11th 2018, the “Productive Financing Law” (Act No. 27,440) that amended the “Capital Markets Act” (Act 26,831) was published on 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)- which considers the development of the capital market as a strategic and fundamental activity for the growth of the country. Some of its main objectives involve promoting the integrity and transparency of the capital market, minimizing systemic risk through the promotion of healthy and free competition, and facilitating the companies’ financing conditions.

Oil and Gas

Exploration and production activities are regulated by Law No. 17,319, as amended (the “Hydrocarbon Law”), and by subsequent regulatory decrees and resolutions. Hydrocarbon exploration, development and production require an exploration permit, or a production concession granted by the federal government or a province, depending on the location of the resources.

Law No. 13,660, enacted in 1949, provides the basic legal framework for downstream activities- which must also comply with provincial and municipal regulations regarding technical, safety and quality standards. In order to obtain an exploration permit or a production concession, the applicant must go through a competitive bidding process.

Once it is granted, it may be assigned with the grantor's approval. To be able to qualify for concessions or permits, all applicants must be registered at the Secretary of Energy and at any other relevant provincial authorities, such as oil companies. In order to transport hydrocarbons through pipelines, any individual or legal entity must hold a concession granted by the federal or provincial authorities.

Mining

Mining activities in Argentina are governed by the Mining Code, enacted in 1886 as Law No. 1919, as subsequently amended on several occasions. Local and foreign individuals and legal entities may be granted a concession to explore and develop minerals in a specific area. As regards the fees that the concessionaire must pay for the concession granted, an annual royalty is established by the Argentine Congress, which must be paid to the federal government or the provincial government, depending on the jurisdiction where the mine is located.

Mining activities have special tax incentives that should be carefully analyzed during the decision-making process for a new investment in this field.

Energy and Natural Resources

The energy sector was reformed and privatized in 1992 by the federal and provincial governments. At the federal level, the legal framework consists of Law No. 24,065 and regulations 1398/1992 and 18619/95, among many other decrees and resolutions by the regulatory agencies.

This legal framework created four vertical divisions within the energy sector: generation, transmission, distribution and demand. To supplement the general legal framework in the energy sector, in December 2006 and in October 2015, the Argentine Congress passed Laws No. 26,190 and 27,191 that set the rules governing the generation, co-generation and self-generation of electricity from renewable sources of energy. The regulatory framework under "renewable sources of energy" includes the following: solar power, wind power, geothermal power, tidal energy, hydraulic and biomass power, among others. The regulatory framework grants certain tax benefits to the individuals or entities in charge of qualified projects. In order to obtain these benefits, applicants must file their projects at the Secretary of Energy and receive a Certificate of Qualification into the "Renewable Sources of Energy Program".



Trademarks and Trade Names



Patents and Utility Models



Pharmaceutical Patents



Industrial Designs and Models



Copyright



Industrial Parks

Trademarks and Trade Names

Trademarks and trade names are governed by Trademark Law No. 22,362 and its implementing regulations. The law provides protection on ownership of a trademark and its exclusive use, after its registration at the Trademark Office (“Instituto Nacional de la Propiedad Industrial” or INPI).

The duration of a trademark registration and, thus, its protection, is ten years since the granting date and can be renewed indefinitely for periods of ten years- provided certain requirements related to its use are complied with.

Patents and Utility Models

Patents and Utility Models in Argentina are regulated by Law No. 24,481. The “Patent Law” provides that patents will be granted for any invention that complies with certain requirements: mainly (i) novelty; (ii) inventive trait; and (iii) industrial application. The “Patent Law” awards a 20-year protection term as from the date of application of each patent. Foreign individuals or legal entities must establish a legal domicile in Argentina for the application process. The award must be registered at the INPI to be enforceable against third parties.

Pharmaceutical Patents

Regulations, rights granted, and enforcement of these patents are, in general terms, identical to those of other non-pharmaceutical patents. However, their regulation is supplemented by INPI and the Ministry of Production and the Ministry of Health Joint Resolutions Nos. 118/2012, 546/2012 and 107/2012. The regulations mentioned above severely restrict the patentability of several categories of inventions in the pharmaceutical field.

Industrial Designs and Models

Industrial models or design registrations are granted to protect industrial production rights.

In order to apply for these certifications, any foreign individual or legal entity must establish a legal domicile in the City of Buenos Aires.

If the design or model has not been used or publicized in Argentina before, the certification will grant protection for a five-year term, renewable for two further terms of five years each.

Renewals must be applied for no later than six months prior to the expiry of the current protection period. If a design application has been filed abroad, an application for a design registration in Argentina must be filed within six months of the filing date of the foreign application.

Copyright

The legal framework for copyright regulations is set out in Law No. 11,723, as amended (the “Intellectual Property Law” or “IP Law”). Protection under the IP law includes scientific, literary, artistic or educational works, regardless of the processes used for their reproduction.

Industrial Parks

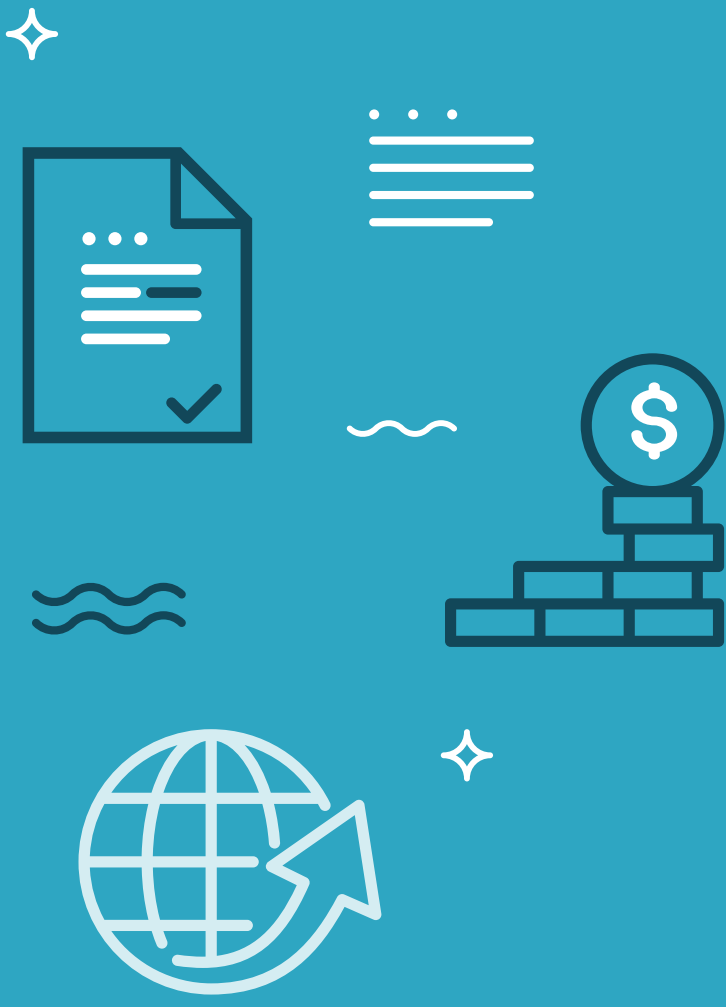
Every province has a provincial regulation for industrial parks, which may include tax breaks, property or rental discounts. The main objective is to promote scale production and to maximize externalities coming from clustering. For further information, you can go to the National Registry of Industrial Parks (“Registro Nacional de Parques Industriales” or “RENPI”).

International Investment Agreements

Short title	Partner	Type of agreement	Status	Date of signature
Argentina - Japan BIT (2018)	Japan	Bilateral Investment Treaties	Signed	01/12/2018
Argentina - United Arab Emirates BIT (2018)	United Arab Emirates	Bilateral Investment Treaties	Signed	16/04/2018
Argentina - Qatar BIT (2016)	Qatar	Bilateral Investment Treaties	Signed	06/11/2016
Argentina - Dominican Republic BIT (2001)	Dominican Republic	Bilateral Investment Treaties	Signed	16/03/2001
Algeria - Argentina BIT (2000)	Algeria	Bilateral Investment Treaties	In force	04/10/2000
Argentina - Thailand BIT (2000)	Thailand	Bilateral Investment Treaties	In force	18/02/2000
Argentina - Greece BIT (1999)	Greece	Bilateral Investment Treaties	Signed	26/10/1999
Argentina - Philippines BIT (1999)	Philippines	Bilateral Investment Treaties	In force	20/09/1999
Argentina - New Zealand BIT (1999)	New Zealand	Bilateral Investment Treaties	Signed	27/08/1999
Argentina - India BIT (1999)	India	Bilateral Investment Treaties	Terminated	20/08/1999
Argentina - Nicaragua BIT (1998)	Nicaragua	Bilateral Investment Treaties	In force	10/08/1998
Argentina - South Africa BIT (1998)	South Africa	Bilateral Investment Treaties	Terminated	23/07/1998
Argentina - Russian Federation BIT (1998)	Russian Federation	Bilateral Investment Treaties	In force	25/06/1998
Argentina - Guatemala BIT (1998)	Guatemala	Bilateral Investment Treaties	In force	21/04/1998
Argentina - Costa Rica BIT (1997)	Costa Rica	Bilateral Investment Treaties	In force	21/05/1997
Argentina - Mexico BIT (1996)	Mexico	Bilateral Investment Treaties	In force	13/11/1996
Argentina - Czech Republic BIT (1996)	Czechia	Bilateral Investment Treaties	In force	27/09/1996
Argentina - Morocco BIT (1996)	Morocco	Bilateral Investment Treaties	In force	13/06/1996
Argentina - Vietnam BIT (1996)	Vietnam	Bilateral Investment Treaties	In force	03/06/1996

Short title	Partner	Type of agreement	Status	Date of signature
Argentina - Panama BIT (1996)	Panama	Bilateral Investment Treaties	In force	10/05/1996
Argentina - El Salvador BIT (1996)	El Salvador	Bilateral Investment Treaties	In force	09/05/1996
Argentina - Lithuania BIT (1996)	Lithuania	Bilateral Investment Treaties	In force	14/03/1996
Argentina - Cuba BIT (1995)	Cuba	Bilateral Investment Treaties	In force	30/11/1995
Argentina - Indonesia BIT (1995)	Indonesia	Bilateral Investment Treaties	Terminated	07/11/1995
Argentina - Australia BIT (1995)	Australia	Bilateral Investment Treaties	In force	23/08/1995
Argentina - Ukraine BIT (1995)	Ukraine	Bilateral Investment Treaties	In force	09/08/1995
Argentina - Israel BIT (1995)	Israel	Bilateral Investment Treaties	In force	23/07/1995
Argentina - Croatia BIT (1994)	Croatia	Bilateral Investment Treaties	In force	02/12/1994
Argentina - Peru BIT (1994)	Peru	Bilateral Investment Treaties	In force	10/11/1994
Argentina - Portugal BIT (1994)	Portugal	Bilateral Investment Treaties	In force	06/10/1994
Argentina - Malaysia BIT (1994)	Malaysia	Bilateral Investment Treaties	In force	06/09/1994
Argentina - Korea, Republic of BIT (1994)	Korea, Republic of	Bilateral Investment Treaties	In force	17/05/1994
Argentina - Bolivia, (Plurinational State of) BIT (1994)	Bolivia, (Plurinational State of)	Bilateral Investment Treaties	Terminated	17/03/1994
Argentina - Ecuador BIT (1994)	Ecuador	Bilateral Investment Treaties	Terminated	18/02/1994
Argentina - Jamaica BIT (1994)	Jamaica	Bilateral Investment Treaties	In force	08/02/1994
Argentina - Venezuela, (Bolivarian Republic of) BIT (1993)	Venezuela, (Bolivarian Republic of)	Bilateral Investment Treaties	In force	16/11/1993
Argentina - Finland BIT (1993)	Finland	Bilateral Investment Treaties	In force	05/11/1993
Argentina - Bulgaria BIT (1993)	Bulgaria	Bilateral Investment Treaties	In force	21/09/1993
Argentina - Romania BIT (1993)	Romania	Bilateral Investment Treaties	In force	29/07/1993
Argentina - Armenia BIT (1993)	Armenia	Bilateral Investment Treaties	In force	16/04/1993
Argentina - Senegal BIT (1993)	Senegal	Bilateral Investment Treaties	In force	06/04/1993
Argentina - Hungary BIT (1993)	Hungary	Bilateral Investment Treaties	In force	05/02/1993

Short title	Partner	Type of agreement	Status	Date of signature
Argentina - Netherlands BIT (1992)	Netherlands	Bilateral Investment Treaties	In force	20/10/1992
Argentina - Austria BIT (1992)	Austria	Bilateral Investment Treaties	In force	07/08/1992
Argentina - Tunisia BIT (1992)	Tunisia	Bilateral Investment Treaties	In force	17/06/1992
Argentina - Egypt BIT (1992)	Egypt	Bilateral Investment Treaties	In force	11/05/1992
Argentina - Turkey BIT (1992)	Turkey	Bilateral Investment Treaties	In force	08/05/1992
Argentina - Sweden BIT (1991)	Sweden	Bilateral Investment Treaties	In force	22/11/1991
Argentina - United States of America BIT (1991)	United States of America	Bilateral Investment Treaties	In force	14/11/1991
Argentina - Canada BIT (1991)	Canada	Bilateral Investment Treaties	In force	05/11/1991
Argentina - Spain BIT (1991)	Spain	Bilateral Investment Treaties	In force	03/10/1991
Argentina - Chile BIT (1991)	Chile	Bilateral Investment Treaties	Terminated	02/08/1991
Argentina - Poland BIT (1991)	Poland	Bilateral Investment Treaties	In force	31/07/1991
Argentina - France BIT (1991)	France	Bilateral Investment Treaties	In force	03/07/1991
Argentina - Switzerland BIT (1991)	Switzerland	Bilateral Investment Treaties	In force	12/04/1991
Argentina - Germany BIT (1991)	Germany	Bilateral Investment Treaties	In force	09/04/1991
Argentina - United Kingdom BIT (1990)	United Kingdom	Bilateral Investment Treaties	In force	11/12/1990
Argentina - BLEU (Belgium-Luxembourg Economic Union) BIT (1990)	Belgium-Luxembourg Economic Union	Bilateral Investment Treaties	In force	28/06/1990
Argentina - Italy BIT (1990)	Italy	Bilateral Investment Treaties	In force	22/05/1990



Tax System

Regulatory Framework

Main taxes

Federal Taxes

Value added tax
Income tax
Wealth tax
Excise tax
Tax on financial transactions
Customs duties

⋮



⋮

Provincial and municipal taxes

Turnover tax
Real estate tax
Stamp tax
Tax on vehicles
Tax on Advertising in Public Domains
Others

The federal, provincial and municipal governments levy taxes in Argentina. The federal government imposes Income Tax, Value Added Tax, Wealth tax, Excise Tax, Tax on Financial Transactions and Customs Duties.

The provincial and municipal jurisdictions levy Turnover Tax, Real Estate Tax, Stamp Tax, Tax on Vehicles and Tax on Advertising in Public Domains, among others.

Filing procedures and tax payments

The Argentine tax system is based on the principle of self-assessment. The federal tax laws require taxpayers to file annual or monthly returns to report their taxable income, determine their tax liability, deduct any taxes withheld or paid in advance, and pay any due balance.

The corporate income tax return must be filed within five months after the end of the company's fiscal year. The tax year for individuals is the calendar year. Individuals whose sole earnings are employee's compensation are not required to file an individual income tax return for the year. Instead, their employers are required to withhold income tax monthly, and this tax is considered final. Notwithstanding the abovementioned, informative tax returns could be required- depending on the level of income.

Foreign taxpayers not established in Argentina are not required to file a tax return if their income tax liability is fully satisfied by withholding taxes on Argentine-source income.

Calculation of tax

Tax laws establish very detailed rules on how the tax should be calculated. In general, the calculation is based on known facts, such as those shown in the books kept by the taxpayer or in the documentation kept on file. Only when no detailed information has been provided by the taxpayer or no proper accounting books are being kept, or the information or records prove to be incorrect or incomplete, may the tax authorities turn to legal assumptions to establish the tax obligation of the taxpayer at issue.

Business taxation

Corporate Income Tax

Resident companies

According to the "Solidarity Law Act" 27,541 from 2020:

• Tax rates

The rate of the corporate income tax is 30%. From 2021 onwards, it will be 25%. An additional withholding tax will be levied on distributed dividends or profits as follows. 7% of the dividend withholding tax rate for distribution of profits accrued for tax years, until December 31st 2020; 13% of the dividend withholding tax rate for distribution of profits accrued for tax years starting on or after January 1st 2021.

• Territoriality

For resident companies, worldwide income is taxable, including income of foreign branches and subsidiaries. Income of foreign subsidiaries is taxable only to the extent of the dividends actually paid, unless the subsidiary is subject to the tax transparency regime, in which case, the Argentine company is taxed on the allocable share of the subsidiary's income- regardless of whether the dividends are paid or not. Companies formed under the Argentine law, as well as commercial, industrial, agricultural, mining, and other types of permanent establishments of foreign entities, are considered resident. They must keep separate books and records for a permanent establishment in Argentina.

• Business income

Business income includes income from the sale of goods, depreciable assets, shares or real estate; income from dividends other than those from resident companies; interests; royalties and fees; and foreign-exchange gains. The only type of business income the law specifically defines as “gross profit” is that derived from the sale of inventories- which are the net sales less the cost of acquisition or production.

• Capital gains

Companies’ capital gains are not subject to a specific tax. They are included in the scope of income tax and, consequently, subject to a 30% rate, the same as ordinary income.

• Individuals’ gains tax.

They are included in the scope of income tax and, consequently, subject to a 30% rate, the same as ordinary income.

• Net operating losses

Net operating losses cannot be carried back, they but can be carried forward for a maximum of five years.

Non-resident companies

Foreign companies are taxed only on Argentine-source income. They are generally subject to withholding taxes at different rates, depending on the nature and origin of the income.

• Import-related income

Income earned by a foreign company from imports into Argentina is not taxable, provided the ownership of goods is transferred overseas, and the local purchaser clears the goods through the Argentine Customs Authorities.

• Portfolio income

Proceeds from the sale of shares of local companies are subject to tax at a 13.5% rate on the gross amount, or at a 15% rate on the net amount (the taxpayer’s option). However, foreign beneficiaries- provided they are not resident and that the funds do not come from non-cooperative jurisdictions- will be exempted from:

- Income derived from the sale of shares that are publicly traded in stock exchanges or stock markets under the supervision of the Argentine Securities and Exchange Commission (CNV).

- Interest income and capital gains resulting from the sale of public securities, corporate bonds and certificates of deposit of shares issued abroad- which represent shares issued by entities domiciled or located in Argentina (i.e. ADRs). LEBACS (Central Bank Bills) are not included within this exemption.

For indirect taxation of shares, a non-resident is deemed to obtain Argentine-source income from the sale of shares or any other right representing the capital or equity of an entity domiciled or located abroad, when the following conditions are met:

- The market value of shares upon the sale or within the twelve (12) months prior to the sale, accounts for, at least, 30% of the value of the assets owned by the referred seller -either directly or through the intermediation of other entities in Argentina. Shares, interests, units, securities or rights sold which, at the moment of the sale or within the twelve (12) months prior to the sale, account for -at least- 10% of the foreign company’s equity that owns, either directly or indirectly, the assets indicated above.

Rent	Transfer					
	Co-operators				Non-Co-operators	
	5%		15%		35%	
	Presumption	Effective rate	Presumption	Effective rate	Presumption	Effective rate

Public securities, except LEBAC, and bonds and negotiable debt securities settled by public offering.

Exempt					
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Debt securities and rent shares of "FCI" (mutual funds) [except those included on subsection c) in the first paragraph of article 98 of the law], settled by public offering.

Exempt					
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90% 31,50%

LEBAC, debt securities and rent shares of "FCI" (mutual funds) [except those included in subsection c) in the first paragraph of article 98 of the law], and bonds and negotiable debt, not settled by public offering

90%	4,5%	90%	13,50%		
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Stocks, other securities representing stocks and certificates of deposit of stocks that are framed within subsection u) of article 26 of the law.

Exempt					
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Stocks, other securities representing stocks and certificates of deposit of stocks that are not framed within subsection u) of article 26 of the law.

		90%	13,50%		
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Participation certificates of Financial Trusts. Condominium shares of closed "FCI" (mutual funds) referred to in paragraph c) of the first paragraph of article 98 of the law.

Exempt					
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Shares and social shares (including those operations defined by article 15 of the law).

		90%	13,50%		
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Federal Taxes

Federal Taxes

Value-added Tax (VAT)

The value-added tax (VAT) is a general tax on consumption within the Argentine territory. It is levied on the delivery of goods, the granting of loans, or the rendering of services by any natural person or legal entity conducting an economic activity, and on the import of goods and services.

The VAT is reported and paid monthly, based on an online system designed by the tax authorities. The services rendered and the loans granted from abroad, which are used in Argentina by Argentine VAT payers, are taxable. The payment thereof will be used as a VAT credit.

The general rate is 21%. A higher rate of 27% is applied to electricity, natural gas and water supplied to business activities. The rate of 10.5% is applied to some activities. Exports of goods and services are included in the scope of VAT, but they are taxed at a zero rate (0%). This means that VAT is not levied on the output, but on inputs and can be recovered through tax rebate, upon request by the taxpayer.

Wealth tax

This is a tax on the net assets of individuals; however, this tax is paid through a substitute taxpayer when the shareholder of a local entity or local trust (organized under Law 19,550) is a foreign entity.

At present, Argentine companies pay this tax as substitutes for their shareholders. Such tax is equivalent to an annual 0.5% of the equity of the local entity. Local companies responsible for paying the tax will be entitled to reimbursement from their foreign shareholders.

Tax on financial transactions

The general tax rate is 0.6% (six per thousand) for credits and debits, except for transactions involving collection management, reports of receipts on collection and payments from/ to vendors within the credit card system- in which case the tax rate will be 12%.

Bank account holders levied with the general rate of 0,6% can compute, as a tax credit, 33 % of the tax paid for both credits and debits. Such amount will be considered as a credit towards the payment of either income tax. In order to foster formalization and banking incentives for cash extraction, the tax rate is 1.2%- except for micro and small businesses.

Excise tax

The excise tax is imposed by the federal government on the sale, transfer or import of specific products, based, in general, on the invoiced amount. The main items subject to this tax are tobacco and tobacco products, alcoholic beverages, soft drink concentrates and soft drinks, diesel engines and cars, cellular phone services, electronic products and insurance premiums. This tax does not apply to exported items. The excise tax rates vary depending on the item.

Important Issues

Thin capitalization rules interests on financial debts - thus excluding any debts arising from the acquisition of assets and the provision of services in the ordinary course of business- owed to related parties (Argentine residents or foreign) will be deductible from the balance sheet for tax purposes in the year in which they are accrued, provided they are paid within the term established for filing the tax return corresponding to such year. The law states that such deduction cannot exceed the annual amount set by the Argentine Executive Branch (ARS 1,000,000 according to Decree 862/19), or an amount equivalent to 30% of the net income before deducting the aforementioned interest and the depreciation set forth by this law- whichever is higher.

Transfer Pricing rules

The Argentine regulations on transfer pricing require that prices in transactions between related companies abroad should be consistent with prices that would have been charged in similar transactions performed on an arm's length basis.

Royalties

Royalties are deductible and subject to withholding tax. The withholding rate depends on the nature of the service and the compliance with the local legislation on transfers of technology. The WTH rates are 21%, 28% and 31.5%. The deductibility of trademark royalties is limited to 80% of the gross payment made to non-resident entities.

Interests

Interests are deductible expenses and are subject to withholding taxes when paid to foreign beneficiaries at the rate of 15.05% or 35%.

Specific losses

Tax losses arising from the sale of stock or other securities, losses from activities producing foreign-source income and losses incurred in from derivative transactions (excluding hedge transactions) can only be offset against income arising from similar transactions.

Inflation adjustment

Argentine tax legislation sets forth inflation adjustments. The integral inflation adjustment procedures are based on the variation of the Consumers Price Index (Índice de Precios del Consumidor – IPC) accumulated in the 36 months prior to the end of the fiscal period- if it is higher than 100%.

Foreign tax credit

Resident companies may compute foreign income taxes as a credit towards their Argentine tax liability, up to the amount of the increase in their tax liability that results from including foreign-source income in the taxable base. The foreign tax credit cannot be carried back, but it may be carried forward for a period of up to five years.

Export Duties

The “Solidarity Act Law” established that there is a limit to export duties of 33% of the FOB value, in case of industrial products or services the maximum is 28%. Nevertheless, most exports do not need to pay such duties.

It is prohibited to exceed a 5% duty for agroindustry products from regional economies.

Mining and hydrocarbon activities are not to be imposed any export duty exceeding 8% of the FOB value.

Local and provincial taxes

Local and provincial taxes

Turnover tax

Local governments impose a tax on the turnover (revenues) of businesses. Tax rates vary depending on the type of activity and jurisdiction (there are 24 jurisdictions). Farming and cattle raising, mining and other primary activities are taxed 0.75%; industrial activities 1.5%; commerce and services in general 3% to 5%; financial activities 7% and intermediary activities 5.5%. The rates are applied to the total amount of gross revenues accrued in the calendar year. Exports of goods are tax exempt.

Stamp tax

Stamp tax is levied on the formal execution of public or private instruments. It is payable in the jurisdiction in which the economic transaction is documented, but it may also be applicable in the jurisdiction in which it has effects. Documents subject to this tax include, among others, all types of contracts, deeds, invoices confirmed by a debtor, promissory

notes and negotiable instruments. In general, the taxable basis is the economic value of the agreement. In general, the applicable rate is 1%, although it can vary depending on the type of deed and on the legislation of the jurisdiction imposing this tax. In the case of real estate sales, among others, the rate can be 2.5%.

Real estate taxes

Local governments assess the value of local real estate and levy a progressive real estate tax on the assessed values. The progressive rates range from 0.2% to 2%. Based on those valuations, the municipality applies rates of 0.55% for lighting, sweeping and cleaning services and 0.02% for pavement and sidewalk maintenance.

Stamp tax is levied on the formal execution of public or private instruments. It is payable in the jurisdiction in which the economic transaction is documented but it may also be applicable in the jurisdiction in which it has effects. Documents subject to this tax include, among others, all types of contracts, deeds, invoices confirmed by a debtor, promissory notes and negotiable instruments.

Tax Incentives

1. Mining promotion

Eligible entities must develop mining activities in Argentina or create an establishment in Argentina for that purpose. In order to be eligible, the project must be located in the territory of the provinces under the incentive scheme. The incentives are granted for the prospecting, exploration, development, preparation, extraction and processing of certain minerals. 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 since the filing of the 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.

2. Tax credit regime for training institutions

There is a tax credit granted on qualifying gifts or expenses incurred in by companies or sole entrepreneurs destined to support training institutions. For large companies, the tax credit may not exceed 0.8% of the annual payroll (8% for micro, small and medium-sized enterprises). The tax credit may be used to pay any federal tax (e.g. Income tax, VAT).

3. Tax credit on research and development projects

Argentine companies may obtain a “tax credit certificate” of 10% or ARS 5 million- up to the lowest- of certain eligible expenditures in research and development or technological innovation. Such certificates will be creditable against federal taxes. The executive branch will assign and fix the annual amount of fiscal credits that may be granted under this regime.

4. Investment in capital assets and infrastructure projects

The regime grants tax benefits for investments in new movable depreciable capital assets that are used for industrial activities, excluding vehicles and civil engineering projects. The tax benefits available under the regime consist, mainly, of either:

1) the option of obtaining an early refund of the input VAT attributable to either the capital assets or the infrastructure project included in the investment project or,

(2) the application of an accelerated depreciation of specific assets, subject to certain conditions.

The benefits under (1) and (2) are only available jointly in the case of investment projects which are intended for the export market exclusively.

5. Knowledge-Based Services Regime

A new industry regime Act has been discussed in Congress since 2020, after the expiration of the former software industry regime. It will be enforced this year and will cover a larger range of businesses and subsectors.

6. Biofuel industry

The law defines biofuel as bioethanol, biodiesel and biogas produced with raw material from agriculture, agroindustry 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.
- Assets and investments in infrastructure.
- An exemption for such assets from the minimum presumed income tax.
- 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.

7. Modern biotechnology

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.
- 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.
- 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.

8. Tierra del Fuego

The industrial promotion regime governed by Law 19,640 states that activities and operations carried out in the National Territory of Tierra del Fuego, or assets existing in that Territory, are exempt from all national taxes (in the case of some specific taxes, reduced rates may apply).

Regarding customs duties, the benefits include the exemption from or reduction in taxes levied on imports and exports of movable property. It is important to mention that, in order to claim these tax exemptions, the activities need to be performed in Tierra del Fuego's territory.

9. "MiPyME" Companies Regime (SMEs)

Law 27,264 provides "MiPyME", micro, small and medium-sized companies, with several tax benefits, such as:

- Micro and small-sized enterprises may compute 100 % of the credit and debit tax effectively paid as a tax credit against income tax. Medium-sized enterprises related to the manufacturing industry may offset 60 % of such payments.
- "MiPyME" Companies can pay the VAT balance on the due date in the second month right after the original VAT due date.
- Further tax benefits are provided for those "MiPyME" Companies making productive investments and/or developing the manufacturing industry.
- Law 27,440 has established the electronic credit invoice as a financing instrument for "MiPyMEs".

Double taxation conventions

Argentina has valid double taxation conventions signed with the following countries: Australia, United Kingdom, Chile, Denmark, Germany, Belgium, France, Italy, Sweden, Canada, Bolivia, Brazil, Finland, Norway, Spain, Switzerland, the Netherlands, Russia, Mexico and the United Arab Emirates. The treaties which are not yet in force include: Austria, China, Japan, Luxemburg, Qatar and Turkey; in the case of France, a new agreement has been signed and is yet to be enforced by the Argentine Parliament.



In addition, several treaties concerning income tax exemption for international transport are in force. The countries included for such tax exemption are: China, Colombia, Cuba, Ecuador, the United States, Greece, Iran, Israel, Japan, Malaysia, Panama, Paraguay, Peru, Portugal, Uruguay and Venezuela.



Labor Legislation

A General Employment Contract Law, supplemented by additional laws and statutes related to specific activities, regulates employment conditions and collective bargaining agreements throughout the country.

The Employment Contract Law does not apply to household and government employees, whose work conditions are covered by separate statutes.

Workforce

Argentina has a skilled labor force. Currently, Argentina has an unemployment rate of 10.4% (first quarter of 2020).

Methods of recruiting employees vary depending on the qualifications required, and they can range from hiring directly at the employer's facilities to using specialized private employment agencies. Agencies are used especially in the recruitment of managerial and technical positions.

Many of them are in the city of Buenos Aires and its surroundings, where the labor force is highly concentrated. Employment contracts are not required in writing and, in practice, they are not usually used.

Latest surveys have shown that most executive's salaries range between AR\$ 2,400,000 and AR\$ 4,800,000 according to company size and industry. The monthly average is AR\$ 300,000.

If the employer agrees to pay the income tax and social security contributions on salaries, executive compensation may constitute a significant cost to the employer.

For instance, a monthly salary equivalent to ARS 300,000 may result in a total executive compensation cost of approximately ARS 550,000 (monthly)- if the employer undertakes to pay income tax and social security contributions.

This kind of agreement is common for expatriates, but not for local employees.

Executive Compensation

Executives receive various fringe benefits in addition to salaries. Foreign companies usually provide such benefits in accordance with the parent company's policies. The most common benefits are automobiles and bonuses provided by the employer. A car policy is suggested if the car provided by the company is considered part of the salary package, and not a tool for the job.

Salaries and Wages

Salaries and wages for office and industrial workers are not the same in all the regions of the country. Minimum salaries for employees included in the collective bargaining agreement are generally established by the collective bargaining agreement itself, but supply and demand usually have great influence on determining the salaries of the best qualified workers. Further, during the past few years, labor unions have bargained new salary scales.

Advance Notice

The employer shall give notice of the termination of the labor relationship to the employee no later than 15 days, if the employee has been working within a probationary period; one month, when the employee has worked for the employer for a period that does not exceed 5 years; and two months for employees with more years of service. The employee shall give notice of his/ her intention to terminate the employment contract 15 days in advance.

During the notice period, employees are entitled to take two hours off each day to search for new employment. They may also accumulate these hours in one or more full working days. Should employer or employee fail to give proper notice of termination, the party at fault shall pay the other party compensation in lieu of notice equal to the salary that the employee would receive during that period. Notice must be served in writing and is effective as from the day following the service of notice. If termination of the employment contract took place without advance notice, and the day termination occurred is other than the last day of the month, compensation in lieu of notice owed to the employee shall be made up of an amount equal to the salary for the remaining days up to the end of the month.

Severance pay – compensation for years of service

If an employee or worker is dismissed, without having committed an act of gross misconduct or a criminal offense, severance pay is due, equivalent to one month's salary for each year of service

or period higher than three months. For such purposes, the calculation basis is the highest monthly regular and habitual compensation received during the last year or during the length of service, if this period was shorter. In compliance with the law in force, such basis shall not exceed the equivalent to three times the average monthly salary established by the respective collective bargaining agreement.

The minimum severance payment is equivalent to one month's salary currently received by the employee. Regarding the already mentioned limit – three times the average monthly salary established by the respective collective bargaining agreement– it should be noted that the Supreme Court of Justice (in re Vizzoti, Carlos Alberto vs. AMSA S.A.) stated that the application of the severance cap described above (i.e. three times the average monthly salary established by the applicable collective bargaining agreement) should not result in a reduction of 33% or more of the highest monthly compensation received by the employee during the last year of service. Otherwise, the referred cap will be considered unconstitutional and the compensation will be calculated based on an amount equivalent to 67% of the employee's highest salary.

Compensation amounts may increase under special circumstances (e.g. dismissal of sick or injured employees, pregnant women, women with a newborn child, recently married employees, etc.).

As a consequence of the Coronavirus the Argentinian Government issued a decree declaring an emergency situation on several affairs (economy, health and

social among others). Therefore any employee who is dismissed without a justified cause must perceive twice the value of the compensation.

Compensation could also be higher in the event that the employee has part of or all the salary paid off the books. (Employment Law No. 24,013 and/or Law 25,323).

Labour unions organizations

Most office and industrial workers are unionized. However, the political influence of unions decreased during the 1990s, but has increased in recent years. This means that employees are covered by Collective Bargaining Agreements. Employees covered by the CBA could also be affiliates of the union.

1. Pension Fund

Employees of most industrial and commercial enterprises make contributions to the pension fund equivalent to 14% of all their earnings in cash or in kind (such as schooling or housing) received as salaries, wages, commissions or profit sharing, up to the limit established (since March 1st 2020, ARS 173.945,70) . Employers contribute 12.01% of their employees' compensation without any limit set. Service and commercial companies invoicing more than ARS 48,000,000 a year contribute 12.53% of their employees' salaries without a maximum limit set.

Payroll Taxes

The main social security contributions are listed below. Other minor payments apply under certain circumstances, mainly according to collective bargaining agreements and provincial taxes.

In the case of expatriate technicians who have not resided in the country for more than two years, exemption from this contribution may be requested, if the expatriate enters the country with a temporary visa not exceeding two years.



- 1) Pension fund
- 2) Family allowances
- 3) Inemployment fund
- 4) Medical care Contributions
- 5) Workers compensation insurance

2. Family Allowances

Employers contribute 4.57% of the compensations to a family allowance fund (5.48% for commercial or service activities invoicing more than ARS 48,000,000 a year). In this respect, it should be noted that, as from November 2005, any individual or entity from the private sector registered as an employer shall be directly included in the “SUAF7”.

By virtue thereof, family allowances shall be paid directly by the National Administration of Social Security (“ANSES”, for its Spanish acronym).

Allowances consist of gradual amounts depending on the employees’ salaries, usually very small, paid for each child, for marriage and for the birth or adoption of a child.

However, since March 2020, family allowances have not been granted to employees whose salaries exceed ARS 77,664 or whose family total allowance exceed ARS 155,328- which depends on their family composition (except for maternity).

Allowances are adjusted periodically.

3. Unemployment Fund

Employers are required to contribute 0.92% of the compensations to an unemployment fund. For service and commercial companies invoicing more than ARS 48,000,000 a year, the contribution amounts to 1.09% of their employees’ remuneration.

4. Medical Care Contributions

Employees contribute 3% of their earnings or a monthly maximum of ARS 184,591.18 (since June 2020) to medical care. The amounts paid are allocated to several organizations that provide healthcare assistance. The employer has also contributed 6% of employees’ earnings, without a maximum limit set, since November 2008. The government, through a public fund named “FSR” (ex- “ANSSAL”), takes a percentage from medical care contributions and withholdings. This percentage varies from 10% to 20%, depending on the healthcare assistance category and the monthly salary.

5. Workers Compensation Insurance

In July 1996, a new “Workers Compensation Insurance Law” came into force. The “Workers Compensation Law” prescribes that a mandatory insurance policy should be taken from an authorized Workers Compensation Insurance Company. The policy shall cover salaries, the cost of medical care, professional rehabilitation treatments, prostheses and orthopedic elements, burial expenses, indemnities for partial or total disability, and death resulting from occupational accidents or diseases.

Companies can directly cover (without taking out an insurance policy) the costs of these services and/or indemnities, providing that they periodically give evidence of their financial stability.

It should be highlighted that, in general, companies take out insurance through insurance companies.

In principle, pursuant to the express provisions of the “Workers Compensation Law”, by taking out an insurance policy, employers are exempt from any civil liability by their employees and/ or heirs.

The contribution to the Workers Compensation Insurance Companies is composed of a fixed amount per employee and a variable percentage calculated on the amount applied by the employer as the calculation basis for pension contributions (without any cap set) plus non-wage items (which do not include compensatory items in case of termination).

The insurance premium is calculated on a percentage of the employees’ remuneration and varies according to the company’s activity, the number 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 31.12.2019)

The following table summarizes the main contributions.

	Employer (I) %	Employer (II) %	Employee %
Pension fund	10.77 (1)	12.35 (1)	11.00 (3)
Pensioners’ healthcare fund	1.59 (1)	1.57 (1)	3.0 (3)
Family allowance fund	4.70 (1)	5.40 (1)	-
Unemployment fund	0.94 (1)	1.08 (1)	-
Private health insurance	6.00 (2)	6.00 (2)	3.00 (3)
	24.00	26.40	17.00

Ref.:

(I). Employers of all activities, except for commercial and service activities invoicing more than ARS 48,000,000 a year- according to the restrictive nature of the AFIP’s criterion. Based on case law, the amount indicated should be higher.
 (II) Commercial and service activities invoicing more than ARS 48,000,000 a year- according to the restrictive nature of the AFIP’s criterion. Based on case law, the amount indicated should be higher.

(1) These percentages apply to the total remuneration without any limit.
 (2) In principle, these percentages have applied to the total remuneration without any limit since November 2008.
 (3) These percentages have applied to the total remuneration or to a monthly limit of ARS 184,591.18 since June 1st, 2020 (taxable monthly salary), whichever is lower. This cap is updated every 3 months (in March, June, September and December respectively).

From that employer's contribution, a variable percentage can be computed as a VAT credit- depending on the geographical area where the employees are located. For example, in the so called "Greater Buenos Aires" (which includes the city of Buenos Aires and some surrounding cities) the percentage computable as a VAT credit is 0% on the same taxable basis used for the calculation of contributions, whereas in Ushuaia it is 8.65% and 1.90% in Greater Córdoba. The possibility to take the employers' contributions as tax credit for VAT purposes will phase out by 2022 (tax reform).

Law 27,430, published on December 29th 2017, modified social security contributions.

One of the adopted measures is a gradual implementation of a minimum non-taxable amount of ARS 16,864.05. As of June 2020, the first ARS 5,679.80 of gross compensation will not be subject to employer's pension contributions and will be updated in accordance with the consumer price index- in line with inflation.

This measure seeks to reduce the hiring of lower-skilled workers, reducing the implicit incentive to operate outside the law through unregistered employment due to social contributions.

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 based on a firm's size and main activity.

In this regard, employer's contributions to the pension system will be unified at 19.5% (since January 2022 onwards) replacing the previous 18% and 20.4% rates. In practice, this will increase the pension contributions for companies whose main activity consist of primary and secondary production (currently 18%) and it will decrease them for companies engaged in services (currently 20.4%).

This change will be gradually implemented according to the following table:

Employer's contributions	Until 31/12/2019	Until 31/12/2020	Until 31/12/2021	As from 1/1/2022
Commercial and service activities invoicing more than 48 million pesos	20.40%	20.10%	18.80%	19.50%
All activities, except commercial activities and services invoicing more than 48 million pesos	18%	18,50%	19%	19.50%

Special regimes for the promotion of registered employment

Law No. 26,940 establishes that companies hiring up to 80 employees, thus increasing the existing payroll, will benefit from a reduction in social security contributions per employee incorporated to the payroll for a period of 24 months.

Permanent Regime of Social Security Contributions for Micro Employers

This benefit includes all individuals, de facto corporations and limited liability companies which hire up to 5 employees and have an annual invoicing which does not exceed the amount established by the applicable regulation. Such payroll might be raised up to 7 workers, provided the employer increases the existing payroll as of the date of its inclusion in this regime.

The benefit consists of a partial reduction in contributions to the social security system equivalent to 50% of the applicable rates- if full-time employees are hired for an indeterminate period. In the case of part-time employees, the benefit consists of a partial reduction in contributions to the social security system equivalent to 25% of the applicable rates. These reductions in social security contributions will expire on January 1st 2022 (according to Law 27,430, Section 169).

Promotion Regime for the Recruitment of Registered Employment

Employers that hire up to 15 workers are entitled to a reduction in contributions to the social security system equivalent to 100% of the applicable rates during the first 12 months of the labor relationship (for the new employees representing an increase in the company's payroll)- whereas during the second period of 12 months, the reduction will be 75% of such contributions. For employers with a head count of between 16 and 80 employees, the benefit will consist of a 50 % reduction in the aforementioned contributions during the first 24 months of the labor relationship. This reduction in social security contributions will expire after 24 months (according to Law 27,430, Section 169).

The regulation sets forth the cases to which the reduction in social security contributions is not applicable; for example, the case where employees are hired within 12 months following an employee's wrongful dismissal within the general social security regime. This law is regulated by Decree No. 1714/2014 and came into force on August 1st 2014. The term to benefit from this regime has been set to 12 months since effective date (i.e. since August 2014 to July 2015). However, it should be noted that only the Argentine Executive Branch is empowered to extend this regime for subsequent periods.

Self-employed workers

Workers who do not have an employer are required to make contributions to a specific pension fund. The assessment of the amount payable will depend on the activity and category established according to the laws in force. This category is based on the worker's activity and the taxable reference income.

In this respect, it should be noted that in the case of directors of corporations or legal representatives of foreign companies, the contribution to the National System of Self-Employed Individuals (in Spanish, "Régimen Nacional de Trabajadores Autónomos") ranges from ARS 3,003.84 to ARS 6,608.44 (since June 1st 2018)- which depends on the annual gross revenue. Both directors of corporations and legal representatives shall contribute to the Social Security System as self-employed workers, even if they are carrying out activities under a labor relationship. Contributions to the Social Security System as employees are not mandatory for them.

Scope of benefits

Except for certain multinational and leading local companies, in Argentina companies do not usually provide additional pension benefits to employees over the official pension payment.

Medical care benefits cover most of the employee's needs satisfactorily. In contrast, pension payments at retirement are very low, which has contributed to the increasing development of private pension plans. Some measures have been taken to attenuate the effect of pension payments at retirement. Individuals older than 65 are entitled to a guaranteed monthly payment of ARS 13,491.24.

Other employee benefits

Argentine labor laws are distinguished for the protection provided to employees. Regulations cover labor contracts, methods of wage and salary payment, employed women and minors, among others. Some of the main regulations are detailed below.

Legal annual bonus

Employers shall pay an additional annual bonus equal to an extra monthly salary to be paid in two installments on June 30th and December 18th each year.

Each installment is equal to one-half of the highest monthly salary paid to the employee during the previous semi-annual period.

Paid vacation

Providing an annual paid vacation is compulsory. The vacation period ranges from 14 to 35 consecutive days, depending on the number of years in service. To be entitled to a vacation period, an employee must have worked, at least, half of the working days in the calendar year. Employees hired during the second half of the calendar year are entitled to one day of vacation for every 20 days of effective work. Vacations shall be taken and cannot be exchanged for cash payments, for which employees may be penalized.

Social security agreements

Argentina has entered into reciprocal social security agreements with Mercosur countries (Brazil, Paraguay, Venezuela and Uruguay), the Ibero-American Convention on Social Security (Bolivia, Brazil, Chile, Ecuador, El Salvador, Spain, Paraguay, Peru, Portugal and Uruguay) as well as agreements with Chile, Slovenia, France, Greece, Italy, Peru, Colombia, Portugal, Belgium, Luxembourg and Spain. Whether the provisions of these agreements apply is to be analyzed on a case-by-case basis, since many of the aforementioned agreements were signed before the amendments introduced to the pension system in force in each country.

Illness

The payment of remuneration shall be maintained in case of illness or accident (not labor-related) for 3-6 months- if the employee has been providing services to the company for 5 years or more. These periods will double if the employee has dependents.

Life insurance

It is mandatory for employers to take out insurance coverage of ARS 92,812.50 per employee (as from March 2020).

Unemployment

Industrial and office workers are included in a government system of compensation for unemployment. Under certain conditions, they are entitled to receive monthly payments for a period of 2 to 12 months- calculated on the variable percentages of the highest monthly salary earned in the 6-month period prior to unemployment. Such payments derive from a fund formed with a portion of social security contributions.

The unemployed are also entitled to receive medical care for three months.

Overtime

A 48-hour working week is the norm, with a limit of 9 hours per day (6 hours per day for hazardous occupations). Office working hours are usually less. Twelve hours must elapse between consecutive working days. Night work is limited to a seven-hour shift.

Overtime is permitted with certain restrictions. Overtime on weekdays and Saturday mornings is paid at time-and-a-half. Double time is paid for Saturday afternoons, Sundays and official holidays. Overtime is typically limited to personnel subject to collective bargaining agreements. It is mandatory for salaried workers. Decree 484/2000 established a limit of 200 hours overtime per year and 30 hours overtime per month.

Minimum wage

A single general minimum wage is established for all industrial and office workers. It amounts to ARS 16,875 as from June 2020 for monthly salaries, and ARS 84.37 for hourly wages.

Actual salaries, however, are higher.

Collective bargaining agreements establish more realistic minimum salary scales, and they are the ones generally used.

Labor contracts

Labor law allows for unwritten contracts for an indefinite term (traditional contracts).

In accordance with Argentine laws, employment contracts are for unspecified terms to promote the employment continuity principle.

This principle ceases to be applicable if a) the term of the contract has been set in writing, and b) the activity justifies the exception.

Employment contracts for unspecified terms are understood to have been entered on a probationary basis for the first three months.

During the probationary period either party may terminate the relationship by notifying the other party without the need to specify the cause. This termination will not give rise to the right to indemnity.

Other types of contracts are part-time contracts (working hours are less than two thirds of the normal working day) and seasonal contracts (when the relationship between the parties is generated by the normal course of business or when work is limited to certain months of the year, subject to repetition in each business cycle as a result of the nature of the activity). Other hiring methods accepted by the Argentine labor legislation, which are exceptions to the general unspecified term principle, include fixed-term contracts and temporary employment contracts. As these are exceptions to the general principle, their applicability shall be analyzed considering the provisions of the Employment Contract Law on a case-by-case basis.

1) Fixed term contracts

2) Temporary employment contract

3) Other

1

Fixed-Term Contracts

These contracts require that the term should be stated explicitly and in writing. In addition, there should be justified reasons to choose this contracting method based on the type of business or activity.

The contract is in effect until the end of the agreed term, which must not exceed five years.

The use of successive contracts exceeding the above term turns them into contracts for unspecified terms. The parties must give notice of termination; otherwise, the contract will become an unspecified term contract. If the contract is fulfilled and notice is given, and the duration of the contract is less than one year, severance pay will not be required. However, if the contract term exceeds one year, the worker is entitled to claim severance pay equivalent to half the amount established in the general regime for ordinary termination without cause. Termination without cause before the end of the contract term entitles the worker to claim damages in addition to the compensation for contract termination.

2

Temporary Employment Contract

The “Employment Contract Law” establishes that this method is adopted in connection with extraordinary services or extraordinary and temporary needs of a company, without a specified termination date.

If the purpose of the contract is to supply extraordinary market demands, the duration of the cause giving rise to the contract cannot exceed six months a year and up to one year every three years. The cause giving rise to the contract must be accurately stated.

If the contract is terminated for the same reason for which it was entered in (completion of works or task assigned or cessation of the cause giving rise to the contract) no indemnity will be paid. Otherwise, the regulations established by the general regime will be applicable.

3

Other

The law currently in force provides for the possibility of recruiting personnel through internship systems for a definite period. The main object of this system is the training of the intern. The amount paid for internships is not subject to social security contributions.

Special requirements for foreign nationals

In principle, there are no restrictions or quotas on employment of foreign nationals.

In general, there are no specific employee functions required to be performed solely by Argentines. However, the reasons for hiring an expatriate in lieu of a local employee must be given by the local employer in a presentation to the Immigration Authority at the time the expatriate files an application for a temporary visa. Compliance with the “Immigration Law” is required. Expatriates may qualify for an exemption from pension fund contributions or for the benefits of a social security agreement.

They can also receive various fringe benefits in addition to salaries, which are usually collected in their home country. Foreign companies usually provide such benefits in accordance with the parent company’s policies. Employers generally provide expatriates with automobiles, housing and bonuses.

The social security, labor and tax treatment to be given to the aforementioned benefits shall be analyzed in each case taking into consideration the current laws in force since, under certain circumstances, the whole package of benefits is taxable in our country.

In principle, there are no restrictions or quotas on employment of foreign nationals.

Public registry of employers

With labor sanctions (“repsal” for its spanish acronym) – law 26,940

The “REPSAL” was created by the Ministry of Labor, Employment and Social Security (“MTEySS”, for its Spanish acronym). Such registry includes the final sanctions imposed by the “MTEySS”, the “AFIP”, the provincial authorities, the authorities of the City of Buenos Aires, the National Registry of Agribusiness Workers (“RENATEA”, for its Spanish acronym),

the Workers Compensation Insurance Regulator (“SRT”, for its Spanish acronym) and the National Labor Courts on employers who fail to register or report employees in compliance with all the formal requirements set forth by the applicable laws. The “REPSAL” is a public, fee-free registry that is regularly updated by the “MTEySS”.

Non-complying employers will remain registered in such registry for a maximum period of 3 years; and they will be removed from it once they have paid the related fine, remedied the situation for which they were sanctioned, and once the applicable term has lapsed, which will depend on the moment the fine is paid and on the time the undue registration or report of employees is remedied (with a minimum 60-day term).

Consequences for employers registered in the “REPSAL”:

- They are not eligible for national government programs, aid or stimulus plans, benefits or subsidies.

- They are not eligible for credit lines offered by banking institutions.
- They are not eligible for the benefits set forth by this law.

In case of recidivism within a 3-year term counted as from the date on which the first sanction imposed becomes final, employers who are registered in the Simplified Regime for Small Taxpayers will be excluded from such regime by operation of law.

In addition, taxpayers registered in the General Tax Regime may not deduct personnel-related expenses from income tax while they remain registered at the REPSAL for recidivism.

This law is regulated by Decree No. 1714/2014 and came into force on September 1st 2014