



SETTING UP BUSINESS IN **ARGENTINA**



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General Aspects

Argentina is located on the southeastern coast of South America. It has borders with Bolivia and Paraguay to the north, Brazil, Uruguay and the Atlantic Ocean to the east, and with the Atlantic Ocean and Chile to the west and south.

Including the Antarctic Sector, Argentina claims a total area of 3,761,274 Km² of continental surface.

Argentina is a democratic republic consisting of 23 provinces, the autonomous Federal Capital, the Antarctic sector claimed to be Argentine, the Malvinas Islands, the southern Sandwich Islands, and several South Atlantic Islands.

Population around 44,1 million people

In this territory you will find the 3 main types of landscapes: mountains, plain and plateau.

Argentina has a temperate climate, but if you go north you can find a large subtropical area and in the south there is cold weather most of the year. In terms of their religion, it is a free country but the official religion is Catholicism.

The currency is the Argentine Peso (\$). The exchange rate is about 39 pesos for each US Dollar.

Argentina along with Paraguay, Brazil and Venezuela are part of MERCOSUR and Unión de Naciones sudamericanas.

The main economic resources for Argentina are:

- Agriculture and livestock.
- Oil, Mining, Forestry and Fisheries
- Manufacturing and petroleum
- Tourism

Legal Forms of Business Entities

From the tax point of view, there are no differences between organizing the business under the form of a foreign company's Branch or a limited society by stocks constituted in Argentina, called "Stock Company" (SC) or "Limited Liability Company" (LLC). In all the cases, they would be taxed for their net income at a 35% rate in the income tax, and they have the same treatment over the profits distributed to the Head Office, or partners (LLC) or stockholders (SC), these are not taxed by the tax; they also tax the same way for VAT and gross revenue Tax.



Legal form	Feature	Remarks
Branch of the Foreign Company	It is an extension of the Headquarters, it does not have independant judiciary personality. It can do all trade, industrial or services operations, which are foreseen in the Head Office' aim. It can or can not have capital.	Its creation must be decided by Headquarters' minute, its domicile must be in Argentina and a natural person must be appointed with real domicile also in Argentina, as a legal representative. The Head Office responds for all Branch's obligations, except for those related to banks.
Stock Company (S.C.)	It is made up by 2 partners (minimum), called "stockholders", they can be natural persons residents or not in Argentina, foreign societies and other stock companies. Its capital is represented by nominative stocks, being the minimum of \$AR 100.000.- i.e. U\$S 2.600.- From a capital of \$AR 50.000.000.-, i.e. U\$S 1.250.000.- they must have a mandatory control by a Trustee (legal control of actions).	It is the tool most used by middle and large scale companies. It limits the stockholders' responsibility to the capital being subscribed. The majority of Directors (administration organ) must have real domicile in Argentina as well as the President (legal representative). They annually present the audited financial statements to the Control Organization.
Limited Liability Company (L.L.C.)	<p>The minimum number of partners is 2 and the maximum is 50. Foreign capital companies or local SC can not be partners of LLC. There is no need of minimum capital, as it is represented by social fees. The fees transmission has more formal requirements than the stocks transfer of SC.</p> <p>The legal representative is the Manager, same considerations for the domicile than the SC Directors. Certain activities by administrative decision are restricted in this type of society, such as banking and insurances.</p>	<p>It is also very used by foreign companies to carry out their activities in Argentina.</p> <p>Since this organization is subject to less formal requirements than the Stock Companies, it shall only present the statute's statements (even though it must write it).</p> <p>Partners' responsibility limited to the capital being subscribed.</p>
Unipersonal Stock Company	<p>It is similar to a stock company, but made up by only one partner.</p> <p>It was created in 2015 to allow unipersonal entities to use it as a way to limit responsibility.</p>	<p>Its capital must be fully integrated with the birth of the company, while the stock company may receive only 25% of its capital, and the rest in up to 2 years.</p> <p>It must have at least 3 Directors (administration organ), and a mandatory control.</p>
Simplified Corporations (SAS)	It is a new type of company that allows you to build a company more quickly and simply at a lower cost. As of September 1, 2017, the procedure for the constitution of a SAS can be carried out through the platform Trámites a Distancia (TAD).	<ul style="list-style-type: none"> • It offers the possibility of setting up a company in 24 hours (if the Model Statute is used). • You can get a CUIT (Tax ID) online. • It has a minimum capital of two vital and mobile monthly minimum salary. • Allows a broad object.

Organizational Questions

Topic	Feature	Remarks
Enrolment before the Legal Control Authority	All above-mentioned trade partnerships, i.e. Branch, SC or LLC, must obligatorily request the enrolment of their social contract and bylaws before the General Inspection of Justice if the legal domicile is fixed in the City of Buenos Aires, or before the Public Registry of Commerce of the Province the domicile corresponds to.	Partners are completely and unlimitedly responsible for the obligations of the company before the enrolment is being done.
Enrolment before tax organizations	<p>In two levels:</p> <p>At federal level before the AFIP, to register in the different federal taxes of which they are subject to (Income Tax, VAT, etc.) by obtaining the "Unique code of tax id", and as an employer, if staff is being employed.</p> <p>At provincial level regarding gross revenue tax, applied by the provinces and the City of Buenos Aires, it shall be enrolled in the State Tax Agency corresponding to the domicile where it is working.</p>	For an industrial establishment, commercial shop or rendering of services shop, it shall previously request the working authorized as taxpayer of the rate for services of security and hygienic control foreseen in the regulation of the most of municipalities
Opening of bank account	Non resident natural persons shall get a CDI (Id. Code) number from the AFIP with his/her passport. Judiciary persons shall attach copy of their statutes, evidence of enrolment before the Public Registry of Commerce and before the AFIP (CUIT number). Also, they must attach list of authorized signing persons and pertinent powers of attorneys. Signing persons must fulfill the same requirements than physical persons	Banks do not allow the registration of signing persons in the account who are foreigners or non residents if there are registered signing persons with domicile and permanent residence in the country.
Disarming of the exchange restrictions	The Central Bank of the Argentine Republic (B.C.R.A.), repealed the monthly cap of US \$ 5 million imposed on purchases for hoarding. In addition, it eliminated the obligation to justify with documentation every change operation.	From now on, all exchange transactions in banks and exchange offices will be processed automatically. It will only be necessary to specify, in a sworn statement, the concept to which the operation corresponds: hoarding, foreign trade, among others.
Remittance of profits and dividends abroad	They can be remitted to the stockholder from abroad, without previous authorization from the Central Bank of the Republic of Argentina, as long as it is proved that they are approved in an audited balance.	There is no monthly limit to buy foreign currency

Employment

Topic	Feature	Remarks
Work permit	To work, it is necessary to be more than 18 years old, and if he/she is a minor, he/she must have the parents' or tutors' authorization. Argentina does not establish any expatriate restrictions or expatriates quota in the employment, as long as they fulfill with regulations regarding immigration, i.e. only if they have valid residence permit.	Companies hiring foreign scientists, professionals or technicians can request to be exempted from the payment of the greatest part of social security on these employees, as long as they are being hired to work for not more than 2 years.
Labour law	Workers enjoy the following protection: dignified and similar working conditions; limited working day; paid rest and leave/holidays; fair salary; minimum salary; same salary for same task; participation in the companies' profits, with control of production and cooperation in the direction; protection against arbitrary dismissal; stability for the public employee; free and democratic syndicate, being recognized by the enrolment in a special registry.	
Labour /Working day	The job's duration can not exceed eight daily hours or forty eight weekly hours, for every person being hired to work in any public or private company, even if they are non-profiting companies.	There are exceptions for hours, ages, regions, industries, etc.
Social System	<p>The social security system is as follows: employers' contributions (19.5%) destined to Retirement, Family Allowances, Employment National Fund, Under-system of Retired People, also a 6% destined to the National Regime of Medical Plans.</p> <p>There is also the business contribution to health Risk Insurance in case of accident that varies depending on the activity of the company and a mandatory life insurance in case of death at a cost of \$ 11.28 per insured person.</p> <p>Employees also make their contributions of 23% destined to their own retirement and medical plan.</p> <p>There is also a business contribution to the Occupational Risk Insurance, which can range between 0.5% and 4%, depending on the activity of the company. This is intended to cover accidents and work-related diseases.</p>	There are benefits of reduction of employers' contributions for those companies promoting employment/jobs with new working positions.

Taxation

Being a country whose form of government is federal, the tax system of the Republic of Argentina implies the existence of taxes collected by the different levels of government, being the most relevant ones as follows:-

- Federal: income tax; minimum assumed income tax; debits and credits in bank transactions; simplified regime for small taxpayers value added tax; tax on personal property.
- Provincial: gross revenue tax and stamp tax.
- Municipal: remunerated rates of services.

Tax	Feature	Remarks
Income Tax over companies	The corporate tax rate is 30% for fiscal years beginning on or after January 1, 2018. The tax is levied on net income from expenses and costs, from Argentine and foreign sources, including capital gains. Allows the transfer of tax losses up to 5 periods after the one of origin.	Dividends distributed by SC or earnings assigned by LLC or Branches are free of tax from July 22, 2016. Dividends corresponding to exercises beginning on January 1, 2018 are taxed at 7%.
Income Tax over Individuals	<p>It also taxes income net of expenditures, from Argentine and foreign sources. It allows annual deductions such as a non-taxable minimum of U\$S 2.200, for spouse U\$S 2.052, for child U\$S 1.035, and special for personal work income up to U\$S 10.566. The rate is progressive, from 5% for the lower income segment, to 35 % for income superior to U\$S 13.555 annals.</p> <p>Some operations are reached at fixed rates:</p> <p>Income from government securities, bank deposits, income from negotiable obligations, redemption of shares from Common Investment Funds (not from shares) in all cases in AR \$ taxed at 5%</p> <p>Income from public securities, bank deposits, income from negotiable obligations, redemption of shares from Common Investment Funds (not from shares) in all cases nominated in foreign currency or with an adjustment clause, taxed at 15%</p>	<p>Deduction of interests for loans destined to the acquisition, or construction of housing up to annual U\$S 513 is allowed.</p> <p>Deduction of 40% of the rent of the taxpayer's house, if he does not own any property, up to the limit of U\$ 2.200.</p>

	<p>Capital gains taxed at fixed rates:</p> <p>Government securities, negotiable obligations, shares of Common Investment Funds (not of shares) nominated in \$, taxed at 5%</p> <p>Government securities, negotiable obligations, shares of Common Investment Funds (not of shares) nominated in AR \$, or with an adjustment clause, taxed at 15%</p> <p>Local shares that are not listed on stock exchanges regulated by the CNV, shares of foreign companies listed on foreign exchanges, financial or administrative trusts, taxed at 15%</p> <p>Sale or assignment of rights of real estate located in the Rep. Argentina, taxed the net profit at the rate of 15%</p>	
Minimum Assumed income tax	<p>It is a complementary tax to income tax but with a patrimonial structure. It taxes companies, unipersonal companies and natural persons owners of a rural real estate. The taxable base is the total of assets located in the country and abroad (it does not allow the detraction of debts) according to the commercial balance with some adjustments of valuation foreseen by law. There is an exempted minimum of U\$S 5.128, but if the total value of the subject's assets surpasses it, then the total would be taxed. The rate is 1 %.</p>	<p>The new properties of use (except vehicles) are not taxed in the year of their acquisition, not the following year. The pertinent income tax is tax credit against the presumed minimum income tax.</p>
Debits and credits in Financial Transactions Tax	<p>It taxes debits and credits in bank accounts, applying a rate of 6‰ (or six by one thousand) on each debit or credit. There are minor differential rates for certain activities. If checks are deposited in a savings account, the accredited funds are tax at 12‰ (twelve by one thousand). 33% of the total amount of the tax for credits and debits will be credit against income tax or presumed minimum income tax. This tax credit will go up to 100% for "Micro" and "Small Businesses".</p>	
Transfer of Real Estate Tax	<p>It taxes the sale of real estate, or the transfer of a sales contract. Subject is the natural person. The rate is 1,50 % and is applied on the sale price, usually is retained by the Selling part's notary at the moment of the signing of the title deed. If the seller is a non-resident, previously a legal representative in the country shall request a certificate to the AFIP in order to represent him/her at the signing of the title deed. Applied at the time of sale, and only for properties that were acquired until 31/12/17.</p>	<p>If the sale is of the unique place of residence and the funds will be used to acquire another one within a period of 1 year, the tax may not be paid by getting a certificate at the AFIP.</p>

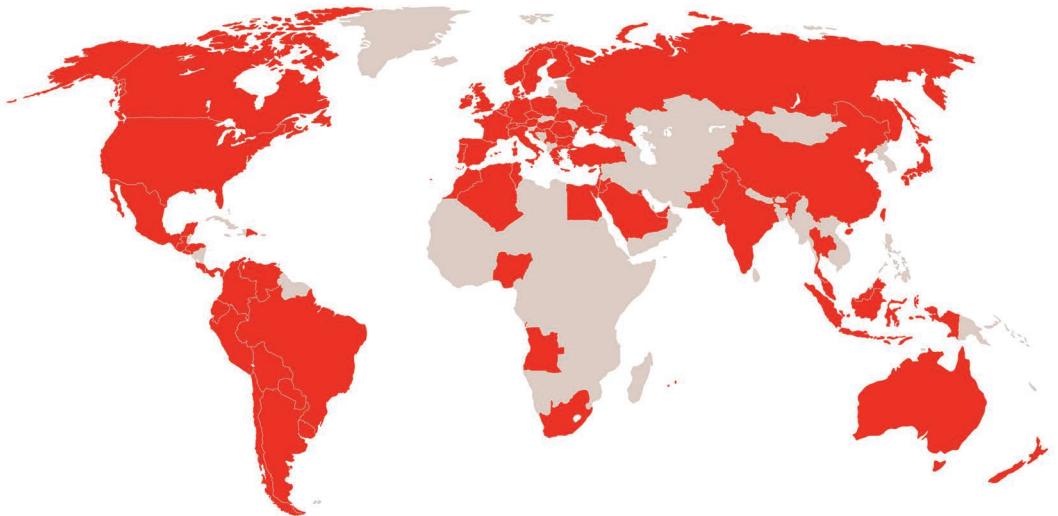
Tax over personal property	<p>Patrimonial tax, it taxes natural persons, if they are residents, for their assets in the country and abroad; and if they are not residents, for the assets in the country. In both cases, existing ones up to the 31st December of every year. For residents, there is an non taxable minimum of U\$S 51.282, for the fiscal year 2019 and following. More than U\$S 51,282 up to U\$S 128,200, the rate is 0.25%, more than U\$S 128,200 up to U\$S 461,500, 0.50% and more than U\$S 461,500, the rate is 0.75%, always on the surplus of the lower limit of the segment.</p> <p>The taxpayer's house is not taxed, up to a valuation of U\$S 461,500.</p>	Non residents with assets in the country shall appoint a responsible person with real domicile in the country for the tax. There is no taxable minimum and the rate is 0,25 % for the fiscal year 2018 and following.
Value Added Tax (VAT)	<p>It taxes the sale of goods and rendering of services in the country. The general rate is 21%. Differential rate of 27% in the cases of public services / utilities (gas, electricity, water) rendered to other subjects reached by the VAT. Reduced rate of 10,5% is applied to: works in real estate for housing; sales and imports of living cattle; meat; leather; fruits; vegetables; cereals; capital assets; bank interests on loans subjects to VAT.</p>	Exports are exempted and you can get the VAT credits on purchase of goods or services in the internal market related to the exported products.
Simplified Regime For Small Taxpayers	<p>This regime is applicable to taxpayers who sell goods below U\$S 44.272.- annual, or provide services under U\$S 29.515.- annual. They can opt in this regime and pay a fixed monthly sum of between U\$S 33.- and U\$S 250.-, according the billing have obtained in the last calendar year. Using this option replaces the income tax and VAT, mentioned above.</p>	
Gross Revenue Tax	<p>It is a tax applied by different provinces and the City of Buenos Aires, tax taxes the development of economic activities (trade, industry, services, primary and extractive activities, etc.). The taxable base is the total of billed gross income. Rates differ according to the activity and jurisdiction. Generally, the smaller rates are in primary, extractive and production activities (from 1% to 1, 75%); then sale of goods (between 3% and 4%), services in general (between 3,50%, and 5%), financing services (between 6% and el 7%) and intermediation services (approx. 6%).</p>	
Stamp Tax	<p>It is also a tax applied by the provinces and the City of Buenos Aires.</p> <p>It is an instrumental tax because it taxes the instrumentation of actions and contracts, signed or in effect in the province of in the City of Buenos Aires or related to assets located in it. Rates differ according to the type of action being instrumented and the jurisdiction in which the contracts are being signed.</p>	
Remunerated Rate of Services	<p>Taxes being collected by local municipalities in exchange of certain services the municipal government renders to the taxpayers who have their industrial, commercial or services establishment in it. The existing rates differ according to the zone where the pertinent municipality is. Therefore, those in rural zones are completely different from urban municipalities with greater concentration of shopping malls or industrial centers.</p>	

Treatment of income for non-residents

Non residents have to pay income tax over the profits obtained from Argentine source, and subject to a withholding of 35% being applied on the net profit defined for each type of topic stated on the following table. The following is a table with different retention rates for different types of incomes; the first column states the percentage of net income subject to a retention on the gross amount of the payment; the second column is the effective rate of retention if the payment is net of retention; the third column is the retention rate with "grossing up" if the payment is free of income tax for the foreign beneficiary.

	Net Gain	Effective rate	Incremental Rate
Technology transfer contracts ruled by the corresponding law			
Technical Assistance, engineering or consulting.	60%	21,00%	26,582%
Exploitation rights o licenses (patents)	80%	28,00%	38,889%
Technical assistance and rights transfer, no amounts specified	80%	28,00%	38,889%
Author rights and artist residents abroad.	35%	12,25%	13,960%
Loan interests of any origin obtained abroad.			
Bank loans	43%	15,05%	17,716%
Imported Fixed assets - except automobiles – financed by the supplier.	43%	15,05%	17,716%
Bank of financial loans base don countries not considered to be a tax heavens, or with an existing information exchange agreement . The financial institution must be under supervision of the corresponding central bank.	43%	15,05%	17,716%
Bonds registered in countries with reciprocal investment protection agreements.	43%	15,05%	17,716%
Loans not included in previous items	100%	35%	53,846%
Bank deposits	43%	15,05%	17,716%
Salaries and fees derived form personal activities.	70%	24,50%	32,450%
rent of movable good.	40%	14,00%	16,279%
Real state rent.	60%	21,00%	26,582%
Transfers for good and valuable consideration	50%	17,50%	21,212%
Other gains	90%	31,50%	45,985%

Furthermore, there are a number of international treaties in order to avoid double taxation above Income tax between Argentina and other countries – most of them from America and Europe- , which can provide assenting conditions for the non Argentinean resident that the ones above-mentioned.


EUROPE

Andorra
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Finland
France
Germany
Greece
Hungary
Ireland
Italy

Luxembourg

Malta
Montenegro
Norway
Poland
Portugal
Romania
Russia
Serbia
Spain
Sweden
Switzerland
The Netherlands
Ukraine
United Kingdom

AMERICA

Argentina
Bolivia
Brazil
Canada
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Panama

Paraguay

Peru
Uruguay

USA
Venezuela

MIDDLE EAST AND AFRICA

Algeria
Angola
Egypt
Guatemala
Honduras
Jordan
Kuwait
Lebanon

Mauricio
Morocco

Nigeria
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