



5. Tax Legislation

TAXATION IN ARGENTINA

By Jebsen & Co

1. Income Tax

This tax is levied on the worldwide income earned by residents. Non-residents are taxed only on their Argentine-source income.

Companies and other entities are taxed at a flat 35% rate. Individuals are subject to progressive rates ranging from 9% to 35%.

All ordinary and necessary expenses incurred to obtain, maintain and preserve taxable income are deductible (e.g. depreciations, salaries, social security contributions, directors' fees, technical services fees, bad debts and interest).

Thin capitalization rules limit the deduction of interest on loans granted by foreign controlling parties -except for interest subject to a 35% withholding rate-. A debt-to-equity ratio of 2:1 is taken into account. The portion of interest not deductible is treated as dividends.

Losses may be carried forward for a 5-year period. Foreign-source losses may offset only foreign-source income. Loss carrybacks are not permitted.

Transfer pricing rules are applicable to business transactions with foreign related companies or with non-related companies located in a tax heaven jurisdiction. In order to establish that the terms of those transaction are equivalent to an arm's length transaction, the following methods are applicable: Comparable uncontrolled price, Resale price, Cost plus, Profit split and Transactional net margin.

Non-residents are subject to a final withholding tax. Rates vary depending on the type of income, ranging from 3.5% to 35%.

Dividends are subject to a 10% withholding tax. Additionally, in case that they are distributed out of earnings not previously taxed at the corporate level, the exceeding amount of dividends will be subject to a 35% withholding tax.

Interest is subject to withholding tax at the rate of 15.05% or 35%. In the case of royalty payments and fees for technical assistance and engineering or consulting services, the withholding rates are 21%, 28% and 31.5%, depending on the nature of payments and compliance with the law regulating the transfer of technology.

2. Minimum Presumed Income Tax

This tax is levied on assets owned by companies and other entities, at the rate of 1%. The tax only applies if the amount of total assets exceeds AR\$ 200,000.

The income Tax paid is creditable against the Minimum Presumed Income Tax liability. If the former is smaller than the latter, the Minimum Presumed Income Tax paid may be carried forward for 10 years to be offset against Income Tax liability.

The acquisition of depreciable movable property -except for vehicles- and the investment in new building constructions or improvements thereof are exempt in the tax year when the acquisition or investment is made as well as in the next one.



3. Personal Assets Tax

Individuals domiciled in Argentina are subject to this tax on their worldwide assets which aggregate amount exceeds AR\$ 305,000. The tax rates range from 0.5% to 1.25%.

Individuals domiciled abroad are only taxed on their assets located in Argentina, at a 1.25% rate.

Shares and equity interests in Argentine companies owned by foreign companies or individuals are also subject to this tax, at a 0.5% rate.

4. Value Added Tax

VAT applies to the supply of goods and services in Argentina, as well as the importation of goods and services, with some exceptions. The general rate is 21%. There also exist differential rates for certain transactions.

Exportations are exempt. Exporters are allowed to offset all VAT billed to them against their VAT liabilities for VAT-taxable transactions. If a VAT credit results from this offsetting, exporters may request that it be credited against other taxes, transferred to other taxpayers or refunded.

5. Turnover Tax

The provinces plus the City of Buenos Aires levy this tax on gross receipts derived from the habitual exercise of economic activities.

Rates vary depending on the type of activity, ranging generally from 1% to 5.5%. Exportations are exempt. Primary and industrial production activities -except for sales to final consumers- can be exempt, under certain conditions.

6. Tax on Bank Accounts

This tax is levied at a 0.6% rate on credits and debits generated in bank accounts, with some exceptions. 34% of tax paid for bank account credits is creditable against Income Tax or Minimum Presumed Income Tax.

7. Excise Taxes

These taxes are levied on the sale, transfer or importation of specific products (e.g. tobacco, alcoholic and non-alcoholic beverages, soft drink concentrates, diesel engines and cars, cellular phone services and insurance premiums). Exportations are exempt.

8. Social Security Contributions

Salaries paid to employees -other than members of the Board of Directors- are subject to social security contributions, under the following percentages of salaries:



Contributions	Employer		Employee %
	% (a)	% (b)	
Pension Fund	12.71	10.17	11.00
Family Allowance Fund	5.56	4.44	0.00
Retiree Health Benefits	1.62	1.50	3.00
Unemployment Fund	1.11	0.89	0.00
Current Medical Benefits	6.00	6.00	3.00
Total	27.00	23.00	17.00

- (a) Small and medium-sized employers whose main activity is commerce and/or the provision of services.
(b) Employers not included in (a).

Employee's contributions are calculated up to a maximum taxable salary of AR\$ 31,167.56.

In addition to the above-mentioned contributions, employers must pay premiums for workers compensation insurance covering occupational accidents.

Self-employed workers pay social security contributions for amounts predetermined by law, which depend on the type of activity.

9. Tax on Transfers of Real Property

This tax is levied on transfers for consideration of real properties located in Argentina owned by individuals -whether residents or not. The rate is 1.5% on the transfer price or market value of the property.

10. Real Property Tax

Local governments levy this tax on the assessed value of local real properties. Tax rates range generally from 0.2% to 1.5%, depending mainly on the surface, location and kind of construction.

11. Stamp Tax

The provinces plus the City of Buenos Aires levy this tax on contracts for a consideration, which are implemented in writing. Rates vary depending on the type of contract and the jurisdiction in which the same is enforceable, ranging generally from 1% to 4%.



12. Municipal Rates

Each municipality applies rates on services rendered to persons domiciled therein. In general, the rates are calculated in accordance with certain variables (e.g. activity developed, surface occupied and turnover amount).

13. Double Taxation Agreements

Argentina has comprehensive Double Taxation Agreements in force with Australia, Belgium, Bolivia, Brazil, Canada, Denmark, Finland, France, Germany, Italy, Norway, Russia, Spain, Sweden, the Netherlands and the United Kingdom.

The new Double Taxation Agreement signed between Switzerland and Argentina is pending of approval by the Parliame