



9.0 Our specialists' contributions and opinions

BOOKS AND ACCOUNTING RECORDS

By Grant Thornton Argentina

Pursuant to Art 44 of the Commerce Code and Law N° 19550, all Corporations domiciled in Argentina must keep accounting records of their transactions. The mandatory books are two: A Journal and an Inventory and Balance Sheets Book. Said Books should be kept up to ten years subsequent to the cease of operations of the Company.

In compliance with Art 73 of Law N° 19550, a special book must also be kept to record the minutes of Company Meetings (i.e., Board of Directors, Shareholders, etc.). Additionally, Art 213 from Law N° 19550 establishes the obligation to keep a book: Register of shares, in which it will be transcribed, among other, the kind of shares, rights and obligations reflected status of capital integration, the votes granted, etc. On the other hand, the stockholders or representatives who attend the meeting will sign the Attendance Book, certifying their addresses, identity card numbers, number of shares held and the corresponding number of votes.

The formal requirements are:

- These books must be bound and have pre-numbered pages, and be initialized by the appropriate Local Commercial Court. Must contain the name to whom they belong, the objective of the book and the number of pages
- it is not allowed to leave blanks, amend the records, alter their order or damage the pages in any way.

However, Corporations subject to control by the Inspection General de Justice, or by the Securities Commission, may be authorized by these entities to use modern EDP or mechanized records to replace or supplement the Journal book. If so, the journal should be kept based on global entries that do not comprise periods longer than a month and provided the identification of the corresponding credit and debit accounts, and their verification must be made possible.

As per the Argentine Commerce Law, all "traders" (meaning whoever performs acts of commerce on a regular basis), are obliged to prepare, as of the closing of each fiscal period, their financial statements in accordance with the generally accepted accounting principles, which should be transcribed to the Inventory and Balance Sheets Book.

The filing date for the above-mentioned accounting statements varies depending on the controlling entity regulating the Company, with quarterly financial statements being mandatory in certain areas of activity.



In general, the filing should occur within the subsequent four months to the fiscal year closing, except for:

- Financial entities, the filing occurs within 50 days (annual and quarterly financial statements)
- Entities subject to the Surveillance of the National Securities Commission, within the 70 days for the annual financial statements and 42 days for the interim financial statements.

As per the rules established by the Inspection General de Justice, the financial statements of all companies should be audited by Certified Public Accountants following the generally accepted accounting principles in Argentina.

The generally accepted accounting principles are issued by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE). This organism issues rules on accounting and auditing issues, which are approved by Professional Councils of Economic Sciences of each province. As of today the Technical Resolutions (TR) in force are as follows:

TR N°	Topic
6	Financial Statements in constant currency
7	Audit rules
8	General rules for accounting disclosure
9	Particular rules for accounting disclosure
11	Particular disclosure rules for non-for-profit organizations
14	Accounting information for Joint Ventures
15	Rules on the situation of the public accountant as company syndic
16	GAAP framework
17	General accounting policies
18	Specific accounting policies
19	Amendment of professional accounting policies
20	Derivatives and hedging transactions
21	Equity value. Consolidation of Financial statements. Related parties' information disclosures.
22	Agricultural activity
23	Post leave benefits to employees and other long term benefits
24	Particular aspects of accounting exposure and audit procedures for cooperative entities
25	Particular accounting exposure standards for not-for-profit entities
26	Adoption of International Financial Reporting Standards (IFRS) from the International Accounting Standards Board (IASB)
27	Professional Accounting Standards. Introduces changes to TRs: 6, 8, 9, 11, 14, 16, 17, 18, 21, 22, 23 and 24.
28	Amendment to the general presentation and disclosure accounting standards
29	Amendment to RT 26, date of approval of IFRS for SMEs



TR 26 is mandatory for entities included in the public offering regime. Entities excluded are those for which the National Securities Commission (Commission National de Valor's – CNV) accepts the accounting standards of other regulatory bodies, such as banking entities. Also excluded are entities under the control of the CNV, such as SME panel, asset managers, mutual funds, futures and options markets, stock exchanges and securities markets. For the remaining entities the IFRS or TR will be applicable (TR 6, 7, 8, 9, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 and 28). TR 26 provides details on the information requirements for the periods ended on December 31st 2010, 2011 and 2012. For non listed entities it allows adoption of Argentine GAAP or IFRS for SMEs.

To clarify certain aspects of the TR listed above, the following Interpretations were issued:

INTERPRETATION N° Topic

- | | |
|---|--|
| 1 | Transactions between related parties (financial, re-financing and other) |
| 2 | Cash flow statement and its equivalent |
| 3 | Income tax accounting |
| 4 | Implementation of Annex A from TRs 17 and 18 |

Furthermore, FACPCE issued significant resolutions 312/ 05 “Changes introduced to the standards by FACPCE”, and 297/ 03 “Discontinuation of the adjustment to account for inflation”. In respect to the latter, FACPCE will communicate when the conditions to re-estate the adjustment are met.

Additionally, the controlling organisms have specific regulating principles, which complement the above-mentioned resolutions (i.e. Central Bank, National Securities Commission, etc.).

The accounting principles generally accepted in Argentina are similar to the ones in the United States and to the IFRS (International Financial Reporting Standards), the main exception being inventories, where the referred accounting frameworks are based on the acquisition costs and the Argentine principles promote the application of current values and original cost adjusted by inflation as an alternative).

The generally accepted audit principles (TR 7) are compatible with the Isis (International Statements on Auditing).

9.1 Our specialists' contributions and opinions

ARE SATISFIED CUSTOMERS ALSO LOYAL CUSTOMERS?

By Bertin Consulting

Product and service quality, as perceived by the customer, has been and still remains one of the issues that companies and researchers from the most prestigious universities all over the world have investigated most. Because, without a doubt, it is the key factor to company success.

Needless to say, quality in products and services is a cornerstone for Bertin Consulting. Our Vision is to be the business partner in Argentina for foreign trading companies including Swiss organizations. Hence, it's all about satisfied and loyal customers.

Considering any company as a whole, it can be stated that management quality is determined by the level of satisfaction achieved by each of the sectors sharing a common interest in the company's performance:

- the customers,
- the shareholders,
- the employees,
- the suppliers,
- and the community.

The assessment models used for the National Quality Awards are based on this principle. The Malcolm Baldrige award in the United States, the European Foundation for Quality Management (EFQM) award in the European Union, and the National Foundation for the Quality Award (FUNDAPRE) in Argentina and many others in most countries attribute special importance to:

- the knowledge of customers and markets,
- management of customer relations,
- customer complaints handling,
- and customer satisfaction and loyalty assessment.

The evaluation of overall company results is an essential indicator of good management.

As a rule, companies conduct customer surveys to measure the degree of their satisfaction with company products or services. But satisfied customers are not necessarily loyal customers.

Satisfaction is a temporary and unstable mental state. It is shifting and fragile. What really matters is what customers do, not what they say.

That is why at present it is a priority that companies identify the key factors that lead to an increase in the number of loyal customers. These key factors are related with:

- product or service quality,



- price,
- and brand or company reputation.

Today, it is not merely a matter of measuring the degree of customer satisfaction, but of determining how many satisfied customers we can retain. It takes a lot more than satisfying a customer to make him/her a loyal customer.

A number of studies performed by companies in the USA, Europe, and also in Argentina, show that customers value components of customer service, such as:

- speed,
- accessibility,
- courtesy,
- credibility,
- competence,
- communication,
- and knowledge of what the customer values.

It is important to point out that, in the services area, quality is total or it does not exist at all. Service is produced and consumed at the same time. There is a global trend toward deregulation and greater competition in most markets. Customers have more options, and can choose. Thus, customer retention and loyalty is the top-priority strategic issue for many companies today.

What are the characteristics of the companies that are more likely to have a larger proportion of loyal customers? They must be:

- dynamic,
- competitive,
- have strong market presence,
- and must have an adequate strategy for customer relations.

They must know what their customers prioritize and value about their products and services, and how the company meets their needs compared with the company's competitors.

Finally, what are some of the basic questions that will aid in preparing strategic plans to increase the number of loyal customers?

- What are the basic requirements of our customers?
- Which, beyond the basic requirements, would give us a competitive advantage?
- What services or service levels are above what is currently being offered and are most valuable to customers?



What customer needs have not yet been satisfied? When analyzing the possible courses of action, it is essential to take into account the cost/value ratio perceived by the customer, in order to ensure adequate profitability that will allow both company growth as well as shareholder, employee, and community satisfaction.



9. 3 Our specialists' contributions and opinions

TAX CONSIDERATIONS

By Negri & Pueyrredon Abogados

I. INTRODUCTION

In Argentina there are three levels of authorities that may create and levy taxes, namely the Federal Government, the Provinces and the Municipalities.

At the Federal level, reference will be made to the corporate income tax, value added tax, financial transactions tax, minimum presumed income tax and tax on personal assets. At the provincial level, gross turnover tax and stamp tax will be explained. Several duties --not addressed in this chapter-- are collected by the Argentine Municipalities.

II. CORPORATE INCOME TAX ("CIT")

The basic CIT burden on corporations, limited liability companies and local branches of foreign corporations is similar, but substantive distinctions exist. The following paragraphs will address how CIT rules apply to the aforementioned business organizations.

1. Applicable Rate

Under current law, domestic companies (*i.e.*, stock corporations and limited liability companies) and local registered branches are subject equally to income tax at a 35% flat rate on their worldwide taxable income. Taxable income is calculated by deducting all ordinary and necessary business expenses incurred in obtaining and preserving gross income derived during the taxable year.

Dividends distributed by Argentine companies as well as profit remittances to foreign shareholders are not subject to withholding tax unless distributed out of untaxed earnings and profits at the corporate or branch's level, in which case a 35% withholding tax applies (*i.e.*, equalization tax). This equalization tax applies whenever accounting profits (different from those originated in promotional regimes and/or from dividends paid by other domestic companies) exceed taxable income at the corporate level. In any event, dividends or other profit remittances are not deductible.

2. Tax Basis



Domestic corporations, limited liability companies and branches of foreign entities are taxed on their worldwide income. Foreign income taxes can be credited against Argentine CIT as a relief from double taxation on foreign source income.

Taxable income is assessed by deducting from gross income ordinary business expenses and other allowable deductions. Gross income involves all income from whatever source derived regardless of its character --whether passive (investment) or active (business income)-- unless expressly excluded or exempt.

All ordinary business expenses such as compensation paid to employees (whether as salaries, bonuses, commissions, or otherwise), contributions to public pension funds, and expenses incurred for the employee's welfare (e.g., medical coverage) may be deducted. If expenses relate to income that is partially taxable and partially non-taxable, deductions must be allocated on a proportional basis between taxable and non-taxable income.

Fees paid to directors and syndics (statutory auditors appointed by the shareholders) are deductible within certain limits [up to the higher of 25% of the company's accounting profits or AR\$12,500 (US\$900) per member].

The cost of acquisition, construction or production of tangible personal or real property (except land) used in the business may be recovered through depreciation over the useful lives of the assets. Amortization of intangible assets is not allowed unless they grant their respective owners a right lapsing at a specific time by operation of law. Thus, trademarks, know-how, or goodwill do not admit amortization allowances, while patents and copyrights do.

Interest is a deductible expense for Argentine income tax purposes. Nonetheless, thin capitalization rules apply to interest payable to "foreign related lenders" (as defined by statute) when the Argentine borrower's debt-to-equity ratio exceeds 2:1. If the ratio exceeds such threshold, the full interest expense accrued on the debt exceeding the ratio will be disallowed as a deduction and recharacterized as a non-deductible dividend distribution. Thin capitalization rules would not apply when the withholding tax on interest payments applies at the effective rate of 35%.

A foreign lender is considered "related" if: (i) it directly or indirectly manages or controls (or is managed or controlled by) the Argentine borrower; or (ii) it has the power to direct or define the activity of the Argentine borrower (or is subject to the borrower's power to direct or define its activities) as a result of its equity participation, inter-company indebtedness, or other types of influence.

Deductions for patent or trademark royalties are limited to 80% of the agreed compensation if paid to a foreign beneficiary. Any payment in excess of this limit is non-deductible. Fees paid to nonresidents for technical, financial or any other kind of assistance are deductible to the extent



they do not exceed one of the following limits: (i) 3% of gross sales or income of the payor company, whichever serves as the contractual basis for payment of the assistance; or (ii) 5% of the amount actually invested in connection with or related to the assistance rendered. Notwithstanding this, it is generally understood that under the non-discrimination clause included in certain double taxation treaties signed by Argentina, royalty payments and fees paid for technical, financial or any other kind of assistance should be deductible under the same conditions as if they were paid to a resident taxpayer. Because deductions on royalty payments and fees are not subject to any limitation when paid to a resident party, these restrictions would not apply in a treaty context.

Other allowable deductions for income tax purposes include: (i) contributions to the Federal, provincial, or municipal governments and to specified tax-exempt entities up to an annual limit; (ii) premiums paid on insurance policies covering income producing assets; and (iii) bad debt provisions, and provisions made for compensation due upon dismissal of employees.

3. Anti-Deferral Rules

Argentine taxpayers who are shareholders in passive income companies located in tax havens (i.e., black-listed jurisdictions) are required to include their pro rata share of the passive income on a current basis rather than when dividends are actually distributed.

4. Local Branches

Taxable income of local branches is generally determined on a separate accounting basis. Nonetheless, if the local branch's accounting records are inadequate or do not accurately reflect net income from Argentine sources, the tax authorities may treat the local branch and the foreign head office (including its other branches or subsidiaries, if any), as a single economic unit and arbitrarily determine the portion of taxable income of the local branch.

There is no 'force of attraction' rule under Argentine domestic tax law, although certain tax treaties provide otherwise. Therefore, unless local office records are inadequate or inaccurate, income of a local branch does not include income attributable to the foreign head office for activities carried out directly by the foreign office without involving the local branch.

5. Capital Gains and Losses

No reduced capital gain rate exists. Thus, gains from the sale or exchange of real estate and other capital assets are taxed at the ordinary CIT rate (35%). Notwithstanding the above, capital gains from the sale of stock in Argentine corporations are generally exempt from tax in Argentina (unless if realized by Argentine corporate taxpayers).



Losses realized from the sale or exchange of shares may only be offset by gains from the sale or exchange of the same property over a five-year carryover period. A similar rule applies to derivative transactions entered into for speculative purposes.

6. Payment and Tax Accounting

Income must be accounted on an annual basis (tax or fiscal year). The tax year is the normal accounting period. With a few exceptions for certain deferred-payment sales, corporate entities must report their income and deductible expenses on an accrual basis.

Consolidation of income of associated entities within the same economic group is not permitted under CIT rules. Each entity must report its income separately, and one associated corporation's losses cannot be offset against the income of another.

Corporate taxpayers are required to make estimated advance CIT payments during the fiscal year. Filing of the annual tax return and payment of the CIT owed in excess of advanced payments (and withholdings, if applicable) is due approximately five months after the end of the entity's fiscal period.

7. Net Operating Losses

Net-operating losses may be carried forward for five years, starting on the year immediately following that in which the loss was incurred. Unused losses after the five-year carryover period are not deductible. No carryback of losses is allowed.

8. Transfer Pricing Rules

Argentine transfer pricing rules are generally based on the arm's length principle. Transactions between related parties not meeting the arm's-length standard give rise to an adjustment to the transaction price or to the income, loss or expenses allocated to the Argentine party according to the most appropriate transfer pricing method. Methods expressly contemplated are, in general terms, consistent with the OECD Guidelines on Transfer Pricing to Multinational Enterprises and Tax Administrations.

For transfer pricing purposes, transactions entered into by an Argentine company, trust, or permanent establishment with related or unrelated entities incorporated or located in tax havens do not comply *per se* with the arm's length standard. Consequently, Argentine taxpayers are required to evidence the arm's length character of the transactions based on the most appropriate transfer pricing method.



Unlike other country's laws, Argentine law --though requiring the use of the most appropriate method-- does not specify which method to use. Nonetheless, the law does make clear that the comparability factor should be especially taken into consideration. This means that comparable transactions should reflect the same price, profit margin or compensation, and that comparable transactions must be chosen considering the elements and circumstances that best reflect the economic reality based on the character, function and activities of the parties, the business arrangements and general economic circumstances.

Since 2003 a new method has been employed to assess Argentine source income deriving from commodities sold to foreign related intermediaries that fulfill a three-part-test. The method applies as long as the foreign intermediary (i) does not have real presence in its residence country with a permanent establishment where the business is managed; (ii) its principal activity consists of either the generation of passive income or the trading of goods from or to Argentina or with other members of the same economic group; or (iii) its international trade transactions with members of the same economic group exceed 30% of the total amount of operations carried out during the year. In that case, the tax authorities are allowed to make adjustments if the price agreed upon execution of the transaction is lower than the transparent market price prevailing at the date of loading.

9. Tax Treatment of Nonresidents. Tax Rates on Argentine-Sourced Income

Foreign-domiciled entities and non-resident individuals without presence in Argentina are taxed on Argentine source income by way of withholdings at source to be made by the local payor of the income.

Argentine source income is all income derived from: (i) capital, assets or rights situated, placed, or used in Argentina and (ii) the performance of any civil or commercial activities or personal services in Argentina, regardless of the place of execution of the agreement. Fees paid abroad for the provision of technical, financial or similar services fees are always sourced in Argentina, regardless of where such services are actually performed.

The statutory withholding rate currently stands at 35%. However, as a general rule, foreign beneficiaries are not taxed on an actual net income basis, but rather on a presumed net income basis which varies depending on the type of income (actual expenses or other deductions otherwise allowable in determining net taxable income may not be claimed). As a result, the effective withholding tax rate on foreign beneficiaries may be lower than 35%.

Lower rates may also apply under the scope of existing double taxation treaties. It is worth mentioning that Argentina is party to 17 double taxation treaties with different countries.



Unless otherwise provided in a tax treaty, royalty payments are subject to an effective withholding tax rate of 28% in the case of registered trademarks, industrial know-how, and other technology transfers. In turn, payments made in consideration for technical assistance not obtainable in Argentina are subject to a 21% effective withholding rate.

To apply the reduced effective withholding tax rates of 21% and 28%, agreements must be registered with the National Institute of Industrial Property which will issue a certificate indicating, among other considerations, that the agreement complies with the Technology Transfer Act and, in that case, that the technical assistance cannot be obtained in Argentina. Otherwise, a 31.5% effective tax rate would be applied.

License agreements registered in Argentina that provide the right to use a software program as well as those allowing the sub-licensing of software in Argentina derive Argentine source income.

An effective withholding rate of 12.25% is levied if (i) the agreement and the software are registered with the National Intellectual Property Registry; (ii) profits arise from the exploitation of the registered software; (iii) income derives to and tax is levied on the authors or their successors (*derechohabientes*), and (iv) the registered software has not been developed upon demand.

Non-resident lenders are subject to Argentine withholding tax on interest paid by an Argentine resident borrower. An effective rate of 15.05% on gross interest applies if payments are made (i) by Argentine financial institutions or (ii) to non-resident suppliers financing imports of capital assets (including under the form of financial leasing transactions), non-resident financial institutions, and certain non-resident investors in debt securities. An effective 35% withholding rate applies to interest on cross-border inter-company loans.

Interest paid to a non-resident financial institution will benefit from the reduced presumed net basis if the lender meets the following requirements: (a) it is supervised by a Central Bank or equivalent; (b) resides in a jurisdiction that is not deemed a tax haven for Argentine tax purposes, or, if so, the jurisdiction is party to an information exchange treaty with Argentina; and (c) it is not prohibited from providing information to its tax authorities due to bank secrecy or similar privacy laws.

Withholding rates on other payments to foreign beneficiaries vary depending on the characterization. Payments to technicians, professionals and others for personal services rendered in Argentina on a temporary basis (up to six months) are subject to a 24.5% effective withholding rate. The applicable effective rate on lease payments on personal property located in Argentina is 14%, while the one applicable to lease payments on real property is 21%.



Income from the disposition of assets (including rights and other intangibles) situated, located or economically used in Argentina is subject to a 17.5% effective withholding rate. Finally, as a residual category, other income not specifically contemplated is subject to an effective rate of 31.5%.

Notwithstanding the above, and subject to prior approval, foreign persons receiving income from the lease of real property or from the sale or exchange of personal or real property located in Argentina, may elect to assess net income from Argentine sources by computing actual expenses incurred in Argentina as well as other allowable deductions; then, the 35% statutory withholding rate is applied to that net income.

Several source rules also deal with income obtained by non-residents from activities performed partly within and partly outside Argentina or activities involving an uncertain source. In these cases, a given percentage of gross income is deemed to be Argentine source net income without evidence to the contrary.

As a result of the presumed net Argentine income provided for each type, the effective withholding rates vary. In the case of outbound international transportation and charter of vessels the effective withholding rate is 3.5%. The container business is subject to a 7% effective withholding rate while the rate applicable to international news agencies and reinsurance business is 3.5%. The use within Argentina of foreign-made cinematographic films, tapes and videotapes, foreign TV and radio broadcastings, telex, facsimile and similar services rendered from abroad, all other foreign means of projection, reproduction, transmission or broadcasting of images or sound is taxed at an effective withholding rate of 17.5%.

10. Corporate Restructurings

Corporate restructurings performed in Argentina (e.g., mergers, spin-offs, transfers of on-going concerns within the same economic group) may enjoy tax-free treatment.

If structured as a tax-free reorganization, gains or losses realized from the transaction are not recognized as taxable income or deductible losses for Argentine CIT purposes. In addition, certain tax attributes are carried over to the surviving company.

Tax neutrality is achieved as long as the reorganization meets certain requirements: (i) continuity of business enterprise; (ii) continuity of proprietary interest by substantially the same shareholders (80%) for two years after the reorganization; and (iii) notice of reorganization to the Argentine tax authorities. In addition, for the reorganized company's net-operating losses to be carried over, ownership of an 80% interest for two years prior to the reorganization is also required.



Should the reorganizing companies not satisfy any of those requirements, the reorganization would be deemed a taxable transaction for Argentine tax purposes. As a result, each of the companies involved in the reorganization would have to assess and pay its tax liabilities arising from the transaction.

III. VALUE-ADDED TAX (VAT)

Value-added tax ("VAT") is levied on three different types of transactions; namely, the sale of tangible personal property within Argentina, the import of tangible personal property and services into Argentina, and the provision of services within Argentina by registered taxpayers. Taxable services include financial services.

1. Tax Rates

The general VAT rate is 21%, although certain sales and services may be subject to a 10.5% rate or exempted altogether. Utilities (e.g., telephone, electricity, water and gas supplies) provided to VAT registered taxpayers are subject to a 27% rate. Exports of tangible personal property and services are subject to a zero rate system. Argentine exporters are allowed to recover, by way of compensation or refund, VAT paid to their suppliers for the input utilized to manufacture exported goods or perform exported services.

2. Input / Output VAT

VAT registered taxpayers are required to pay VAT to their suppliers (input VAT) and to collect VAT from their customers (output VAT). Input VAT is credited against output VAT within each relevant period. Any excess input VAT in a given period may be carried over and credited against future output VAT. This feature makes the VAT a neutral tax on consumption effectively borne only by final consumers. The tax loses its neutral character if a single participant in the production process is not a VAT registered taxpayer (e.g., a nonresident). In this case, the VAT charged to the participant that is not a VAT registered taxpayer may not be treated as a credit either by it or by the subsequent participant. Thus, that VAT becomes an additional cost.

Excess output VAT over input VAT constitutes the taxpayer's VAT position. If the VAT paid to suppliers in a particular period exceeds the VAT collected from customers during that period, the VAT taxpayer will hold a credit position, which can be carried over to subsequent periods. This credit can only be recovered by offsetting it against future output VAT. Taxpayers cannot receive a cash refund for excess VAT credits.



Services rendered by nonresidents to Argentine registered VAT taxpayers are always subject to VAT. A reverse charge system is applied in these cases. Argentine purchasers of services provided by nonresidents must pay the corresponding VAT directly to the Argentine tax authorities, and an equivalent input VAT credit is available to the taxpayer the month following that in which the VAT taxable event arises.

IV. MINIMUM PRESUMED INCOME TAX. PERSONAL ASSETS TAX (REPEALED AS OF JANUARY 1ST, 2019)

Argentina levies a minimum presumed income tax ('MPIT') on Argentine companies (e.g., an Argentine subsidiary of a foreign corporation) and permanent establishments of foreign corporations located in Argentina (e.g., a registered branch). The MPIT is levied on the taxpayer's total assets (with certain exceptions) at a rate of 1%, to the extent the value of total assets within Argentina (inventories included) exceeds AR\$200,000 (approximately US\$13,000). If assets do not exceed this threshold amount, no MPIT is payable.

The CIT paid by the Argentine taxpayer may be credited against its MPIT liability. If the taxpayer's MPIT liability is greater than its CIT liability, it is required to pay the excess MPIT. This tax may be carried over and credited against its CIT liabilities arising in future years for a maximum 10-year period.

In addition, foreign entities and individuals owning stock in Argentine legal entities are subject to personal assets tax at a rate of 0.5% on the proportional net-worth value (*valor patrimonial proporcional*) of their interest. The tax is assessed and collected by the Argentine legal entity.

V. FINANCIAL TRANSACTIONS TAX

All bank credits and debits held at Argentine financial institutions, as well as particular cash payments, are subject to this tax at a rate of 0.6%. A credit against the CIT/or the assets tax is granted for a portion of this financial transactions tax. Argentine financial institutions are required to withhold tax when a transfer of funds is effected on both the transferor and the transferee. In the case of international wire transfers, this tax applies only to the Argentine transferor or transferee.

VI. GROSS TURNOVER TAX

Argentine provinces and the City of Buenos Aires levy a tax on the gross receipts generated by entities engaged in business activities within their respective jurisdictions. The applicable tax



rate varies depending on the province, with an average rate of approximately 3%. It is deductible for CIT purposes.

VII. STAMP TAX

The Argentine provinces and the City of Buenos Aires impose stamp tax on written contracts and other instruments documenting transactions entered into for consideration, if (i) executed or (ii) performed in each such taxing jurisdiction. The taxable event consists of the execution of the document itself, despite potential subsequent circumstances that might modify the transaction or its terms and conditions after the execution date. Applicable stamp tax rates vary depending on the taxing jurisdiction and the type of transaction.

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