

# DOING BUSINESS IN ARGENTINA



# FOREWORD

This guide has been prepared with the purpose of providing basic information to people interested in investing and doing business in Argentina. It does not cover in detail all the requirements and subjects to be considered, but instead it is intended to provide an overall idea of the benefits of doing business in Argentina and the basic taxation requirements.

The guide is intended to be used for informational purposes only and therefore, you should consult a professional tax and business advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of May 2020.





# ABOUT H&CO

Since 1992, H&CO has been providing international tax and business advisory services to multinational companies, global families and local companies that seek to invest or expand their operations in multiple jurisdictions in Latin America.

By working together with our affiliates in the region, we offer integrated solutions to help companies with all of their cross-border requirements and reporting obligations, from opening a new company abroad, and manage your operations, to helping you create an international tax strategy and repatriation plan.

With 3 offices throughout South Florida and partner firms in more than 15 countries in South and Central America, H&CO's primary goal is to be the most trusted service provider of accounting, tax and consulting services for the global community.





# COUNTRY ESSENTIALS

Capital city	Buenos Aires
Area and population	2,780,400 km <sup>2</sup> and a population of 45,479,118 people (July 2019, est.)
Language	Spanish
Currency	Argentine peso (ARS)
International calling code	+54
GDP	\$540 billion USD (2018 est.)
GDP - per capita (PPP)	\$12,123 USD (2018 est.)
Exports	\$61.8 billion USD (2018 est.)
Imports	\$65.5 billion USD (2018 est.)
Inflation rate	47.6% (2018 est.)
Government structure	Argentina is a federal constitutional republic and a representative democracy. The government is regulated by a system of checks and balances defined by the Constitution of Argentina, the country's supreme legal document. The federal government is composed of three branches: the executive branch, the legislative branch and the judicial branch.



# WHY YOU SHOULD DO BUSINESS IN ARGENTINA





## STRATEGIC GEOGRAPHIC LOCATION

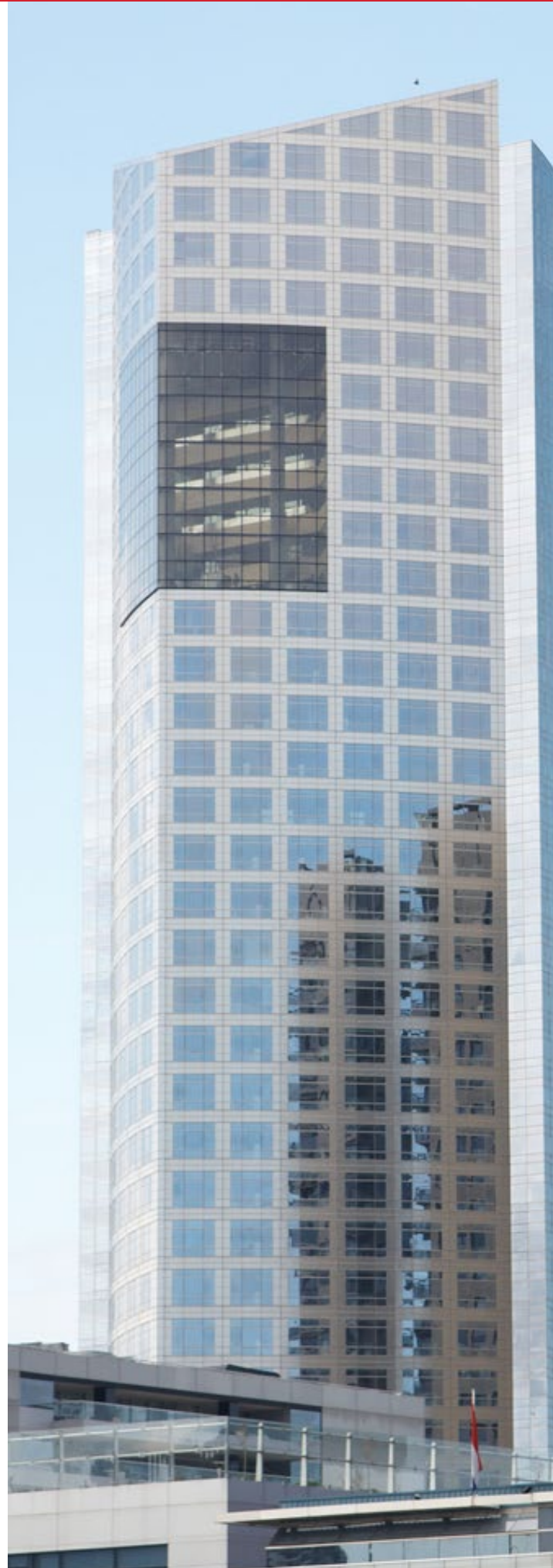
Located in the southernmost corner of the American continent, Argentina is the second largest country in South America, eighth in the world by land area and the largest among Spanish-speaking nations. It has access to both the Atlantic Ocean and the Pacific Ocean through the Strait of Magellan.

The country shares borders with Uruguay and Brazil to the east, Chile to the west and south, and Bolivia and Paraguay to the north. Argentina's geographic position grants it direct access to a regional market of more than 236 million people, in addition to its own population of over 45 million people.

## SUSTAINED ECONOMIC GROWTH

The country has a Gross Domestic Product (GDP) of over US\$ 450 billion, which makes Argentina one of the largest economies in Latin America. In addition, the country is in the process of an economic transformation that promotes sustainable economic development with social inclusion and integration into the global economy.

The Argentine government has been focusing in recent years on an ambitious program of structural reforms to correct some of its macroeconomic imbalances, through the implementation of key reforms such as the unification of the exchange rate, agreements with international creditors, the modernization of the import regime, and the reform of the national statistics system.





## **ATTRACTIVE AND PROFITABLE BUSINESS ENVIRONMENT**

Argentina boasts a very attractive and profitable business environment in a wide variety of sectors. The country ranks in the top 5 of the best South American countries in terms of Foreign Direct Investment (FDI) stocks and FDI inflows.

According to the UNCTAD World Investment Report 2018, inflows to Argentina tripled to US\$ 11.9 billion thanks to the economic recovery and the introduction of new policies to attract investment and improve infrastructure. Thanks to the recent efforts and reforms of the Argentine government, the country has succeeded in encouraging local producers and foreign investors. One of the most significant changes has been the end of capital controls, tax cuts, and the change of administration of the Central Bank of Argentina.

In accordance with Argentine law, foreign companies operating in the country are free to repatriate the full amount of their capital and earnings at any time. Foreign investment receives equal treatment with respect to domestic investment. In addition, foreign entities have access to all economic sectors and are eligible for incentive programs and state procurement.

According to the Global Competitiveness Index 2019 report of the World Economic Forum, Argentina is ranked 13th among the economies of Latin America and the Caribbean according to its competitiveness. Plus, the country obtained its highest score in the Market Size pillar occupying the third highest position in the region.



## REGIONALLY & GLOBALLY INTERCONNECTED ECONOMY

Commercial and investment flows interconnect the Argentine economy both regionally and to the world. Argentina is a founding member of the World Trade Organization (WTO) and actively participates in the organization's multilateral trading system. In addition, Argentina is a Member State of Mercosur, a common market initially formed by Argentina, Brazil, Paraguay, and Uruguay (where Bolivia is in the accession phase and Venezuela in suspension). Since 1995, a common external tariff has been established, and most products have a 0% trade tariff inside Mercosur. The combined population of the five full member countries exceeds 295 million and the total GDP is approximately 4.7 trillion dollars.

The country's exports and imports of goods and services represent US\$ 156 billion dollars, 20.3% of its GDP. The average import tariff for all products is 5.6% and 1.2% for primary products, the second lowest rate in Latin America.

In addition, Argentina has several bilateral agreements in force focused on investment with about 60 countries. The country has signed preferential trade agreements with India, Israel, the Southern African Customs Union (SACU), countries of the Gulf Cooperation Council (GCC) and Morocco. A more comprehensive agreement with the European Union is under negotiation. In addition, and as a member of Mercosur, Argentina has actively participated in the negotiations of the Free Trade of the Americas (FTAA) and its existing agreements.



## HIGH HUMAN RESOURCE QUALITY

Argentina has a population of over 45 million people. More than 30% live in the capital city of Buenos Aires and about 92.5% of the whole population lives in urban areas. The country ranks third in educational attainment and literacy in Latin America and has educational levels similar to developed countries like Italy and Israel.

Argentineans' English proficiency is among the highest of the emerging economies. The EF English Proficiency Index 2019 places Argentina within the top 30 countries in the world and first in Latin America, well above Chile, Uruguay, Italy, and Spain.

According to the Human Development Report 2019 issued by the United Nations, Argentina maintains a high level of human development, ranking 47th worldwide and 2nd in Latin America in overall quality of life.





## **REMARKABLE QUALITY OF LIFE**

The 2019 Legatum Prosperity Index ranked Argentina as one of the best places to live in Latin America, ranking 59th out of 167 countries around the world. It is ranked 8th in the South American region, ahead of Mexico, Brazil and Colombia. The ranking is based on multiple factors including economy, personal freedom, health, safety and security and it covers 149 countries, 96% of the world's population and 99% of the world GDP.

## **QUALITY CONNECTIVITY & MODERN INFRASTRUCTURE**

Argentina benefits from a state-of-the-art and competitive telecommunications framework as a result of large capital investments in digital networks with national and international connectivity. The fixed-line and mobile density in Argentina is highest than in all of the Latin America countries and its internet consumption is increasing expeditiously, ranking above the region's average.

With more than 231,300 kilometers of roadways, one of the longest railroad systems in the world, 25 seaports, 38 river ports and 54 airports, the World Bank's Logistics Performance Index 2018 places Argentina in sixth place in Latin American, after Mexico, Panama and Chile.

## **ABUNDANT & DIVERSE NATURAL RESOURCES**

Argentina is a geographically diverse and prosperous country in terms of natural resources in energy and agriculture. With a vast extension of fertile land, it is considered to have the highest agricultural productivity levels in the world and the ninth largest extension of agricultural area with 140 million hectares of arable lands. In addition, it is considered a country with excellent advantages in natural resources such as gas, oil, and copper.

The country is also ranked 3rd in the world in terms of shale oil and shale gas reserve, providing vast exploration and exploitation opportunities for oil and gas resources. In addition, there is high development potential in the hydraulic and renewable energy sectors.



# TAXATION







## **CORPORATE TAXES**

Argentine corporations are subject to taxes on all their profits obtained both in Argentine territory and abroad. On the other hand, non-resident entities are taxed only on income earned in Argentina.

Entities may calculate as payment on account of tax, amounts actually paid by taxes on their activities abroad.

An entity is considered resident in Argentina when it meets any of the following requirements:

1. It is incorporated in Argentina
2. It is branch of a foreign company

The basic corporate tax rate levied on both resident and non-resident entities is 30%.

## **TAXES ON CAPITAL GAINS AND DIVIDENDS**

Capital gains are taxed as ordinary income at the standard corporate income tax rate. However, gains derived by Argentinean residents from the sales of shares, bonds, and other securities not listed on the stock market or authorized for public offering are subject to a rate of 15%.

Dividends paid to an entity resident in Argentina by another Argentine entity are tax-exempt.

Dividends paid by an Argentine entity to a natural person, whether resident or non-resident, are subject to a 7% withholding rate.



## SALES / VAT TAXES

VAT is levied on the sale of personal property located or placed within Argentina, the provisions of services rendered in the national territory, the import of personal property and services provided overseas, but economically used in Argentina. The general VAT rate is 21%.

An increased rate of 27% applies to the supply of natural gas, electricity, water, sewage system and telecommunications services, unless those provided to residential or recreational homes or resorts.

A reduced rate of 10.5% applies to certain circumstances: work on housing properties (excluding construction on existing properties that do not constitute work in progress); the sale and import of live cattle, meat or offal of bovine animals, fruits and vegetables; interests and other costs relating to credit granted to final consumers by financial institutions.

## ESTATE AND GIFT TAXES

Argentina does not levy an estate and a gift tax at a national level. Only two jurisdictions – the provinces of Buenos Aires and Entre Ríos – have imposed an inheritance and gift tax on any increase in wealth gratuitously as a result of a transfer or a similar act incurred by the beneficiary.

This tax is charged on assets located in these provinces (even if the owner is not domiciled there) and those transferred to individuals or legal entities domiciled in the provinces. It levies all increases in wealth as a result of inheritances, legacies, gifts or similar acts.

## EMPLOYMENT TAXES

Tax withholding from income derived from employment is applicable on payroll. See table below for rates of contribution:

	Employee	Employer
Social Security*	17.0%	24.0%
Union Payments**	2.5%	3.5%

\* Social Security: includes retirement and social work

\*\* Union Payments: an average of labor conventions





## PERSONAL TAXES

All individuals earning income in Argentina, whether residents or not, are subject to income tax. Residents are taxed on worldwide income, and may take as a payment on account any amounts paid abroad in respect of a similar tax that considers the global patrimony or property as taxable amount, with the limit that the obligation increases upon including the income obtained abroad.

Non-residents are taxed on Argentine-source income. Tax is usually collected through withholdings as a one-time payment, whose actual rates vary according to the particular type of income.

For tax purposes, the Law considers residents those persons who live in Argentina, Argentine persons who have not lost their residence status, foreign individuals who stay for a 1-year period in Argentina or obtain permanent residency.

Individual income is taxed according to the progressive rate scale shown below.

Over:	But no more than:	Income tax rate:
0	\$33,040	5%
\$33,040	\$66,080	9%
\$66,080	\$99,120	12%
\$99,120	\$132,160	15%
\$132,160	\$198,238	19%
\$198,238	\$264,318	23%
\$264,318	\$396,477	27%
\$396,477	\$528,636	31%
\$528,636	And over	35%

*Amounts in Argentine Pesos (ARS).*

## TRANSFER TAXES

Argentina does not levy transfer taxes.



# ESTABLISHING A BUSINESS IN ARGENTINA





## PROCESS TO INCORPORATE A COMPANY

An investor aiming to establishing a business entity in Argentina requires 12 procedures over an average of 11.5 days, a shorter time span than the average of 28.8 days in Latin America and the Caribbean.

PROCEDURES	TIME TO COMPLETE
Verify the name of the company at the Office of Corporations ( <i>Inspección General de Justicia - IGJ</i> )	Less than one day (online procedure)
Certify signatures of partners and obtain a statement of transfer of funds from a notary public	1 day
Publish the new company's notice in the official bulletin ( <i>Boletín Oficial</i> )	2 days on average
Payment of the incorporation fee	1 day
Registration with the Public Register of Commerce of the City of Buenos Aires	2 days
Corporate manager needs to obtain a Fiscal Code ( <i>Clave Fiscal</i> ) and the municipal code ( <i>Clave Ciudad</i> )	1 day
VAT registration through the National Tax Authority ( <i>Administración Federal de Ingresos Públicos - AFIP</i> )	Less than one day (online procedure)
* Register turnover tax at local level at the Municipal Tax Office ( <i>Administración General de Ingresos Públicos - AGIP</i> ) in the City of Buenos Aires	Less than one day (online procedure)
* Obtain an insurance plan for employees with a risk labor company ( <i>Aseguradora de Riesgos del Trabajo - ART</i> )	1 day
Register at the Simplification Registry for labor registration ( <i>Registro de Altas y Bajas de Relaciones Laborales</i> )	Less than one day (online procedure)
* Obtain the digital signature for the legal representative	1 day
Digital certification of payroll records with the Ministry of Labor ( <i>Dirección General de Empleo</i> )	Less than one day (online procedure)
<b>Total number of days</b>	<b>11.5 days</b>

Note: Steps marked with an asterisk (\*) may be completed simultaneously

# REQUIREMENTS TO INCORPORATE A COMPANY







The *Sociedad de Responsabilidad Limitada (S.R.L.)*, similar to a Limited Liability Company, is the most common form of incorporation in Argentina. Shareholders in a S.R.L. are liable only to the value of their shareholding.

### **COMPANY NAME**

Argentinean regulations require company names to be unique and approved by the Argentine Companies Registry. Certain company names are prohibited, such as names suggesting the patronage of any government or country.

### **REGISTERED OFFICE**

Under Argentinean regulations, all companies are required to have a registered office where documents may be legally served.

### **DIRECTORS**

A Limited Liability Company registered in Argentina may have only one director; and although there are no restrictions on the nationality, the absolute majority of the directors must have a real domicile in Argentina and all of them, whether or not domiciled in Argentina, must establish a “special domicile” in Argentina.

### **SHAREHOLDERS**

A Limited Liability Company registered in Argentina must have a minimum of two shareholders, but no more than 50. There are no restrictions on the nationality or residency of shareholders.



# MARKET OPPORTUNITIES AND COMMERCIAL SECTORS







## **FOOD AND BEVERAGES**

Argentina is positioned as one of the leading countries in production and export of food and beverages worldwide. This sector has impeccable environmental and sanitary standards, being free of bird flu and swine fever. In addition, the country is prepared to accept high and important requests.

Due to the growing demand for food nowadays, Argentina guarantees an expanding market and new business opportunities for organic and premium foods. The country offers more than US\$ 8,000 million in investment opportunities in animal protein, forestry, organic products and aquaculture.



## **RENEWABLE ENERGY**

In search of diversification and independence from fossil fuels, about 118 countries have set their priorities to the renewable energy industry. Among them, Argentina has the potential, resources and capabilities to cover the progressive national and international demand.

Argentina owns the largest gas market of South America and the 3rd largest energy market in Latin America.

The country has policies that stimulate and promote this industry and also enjoys excellent natural and technological conditions to expand the production of wind, solar and hydroelectric energy.



## **SERVICES**

Argentina is the leading exporter of software, computer and audiovisual services of Mercosur, with more than 4,200 companies of the sector in the country. Also, 5 out of 12 Latin American 'unicorns' are Argentines.

The country has special programs dedicated to encouraging investment and the development of business ecosystems such as tax incentives, public financing, the Law of Entrepreneurs and the Knowledge Economy Law.



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