

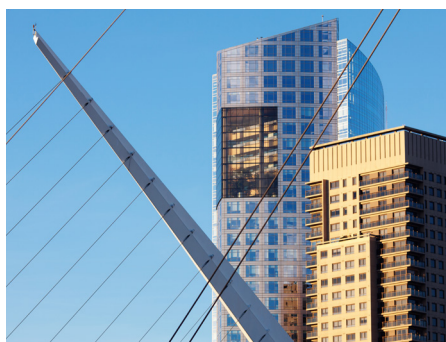


Agencia Argentina
de Inversiones
y Comercio Internacional

DOING BUSINESS IN ARGENTINA

An Investor's Guide

CONTENT



1. OVERVIEW 5



2. SETTING UP A BUSINESS 19



3. THE ARGENTINE TAX SYSTEM 27



4. LABOR LEGISLATION 35



5. ACCOUNTING AND AUDITING STANDARDS 45

This document has been jointly prepared with the assistance of:

Deloitte.

EY
Building a better
working world

KPMG

pwc



1. OVERVIEW

POLITICS

Argentina adopts a Representative, Republican and Federal form of government. The national government structure is divided into three branches: Executive branch headed by the President; Legislative branch in the form of a Congress, which is divided into two chambers: the Senate and the Chamber of Deputies; and a Judicial branch.

> Representative, Republican and Federal form of government.

The President is elected for a four-year term by direct popular vote, and second round (if not more than 45% of votes is attained, or a less than 10% difference between the first and second candidate exist having the first obtained at least 40%). It also has the possibility of being re-elected for a single consecutive term.

The Bicameral National Congress (Congreso Nacional) is made up of 72 seats in the Senate and 257 seats in the Chamber of Deputies. All members are elected by direct vote. In the case of the Senate, one-third of the members are elected every two years for a six-year term, and in the case of the Deputies, one half of the members are elected every two years for a four-year term.

The country is divided into 23 provinces and the Autonomous City of Buenos Aires. Each province is autonomous and is also divided into three branches (executive, legislative, and judicial branches) according to their constitutions. Also each province is divided into administrative bodies (i.e. municipalities) which are not autonomous but have their own budgets and administrative structures.

> Each province is autonomous and is also divided into three levels (Executive, Legislative, and Judicial branches) according to their own constitutions.

FEDERAL
GOVERNMENT

3

BRANCHES



EXECUTIVE
PRESIDENT
4-YEAR TERM



LEGISLATIVE
72 SENATORS
6-YEAR TERM
257 DEPUTIES
4-YEAR TERM



JUDICIAL



23
PROVINCES
+
AUTONOMOUS
CITY OF
BUENOS
AIRES

¹ Three for each one of the 23 provinces and the Autonomous city of Buenos Aires.

DEMOGRAPHICS

The national population is made up of 40,117,096 inhabitants, according to the last census carried out in 2010, where there are 20,593,330 women and 19,523,766 men (i.e. for every 100 females there are 94.8 males).

Population density is 10.7 persons per square kilometer (Km²) of land area, well below the world average of 53.4 persons per Km² according to the World Bank for the same year (2010). The population growth annual rate for Argentina in 2017 was estimated to 0.97% by the World Bank. The proportion of people below the age of 15 in 2010 was 25.5%, 64.3% was between 15 and 65 years, while 10.2% was 65 years or older.

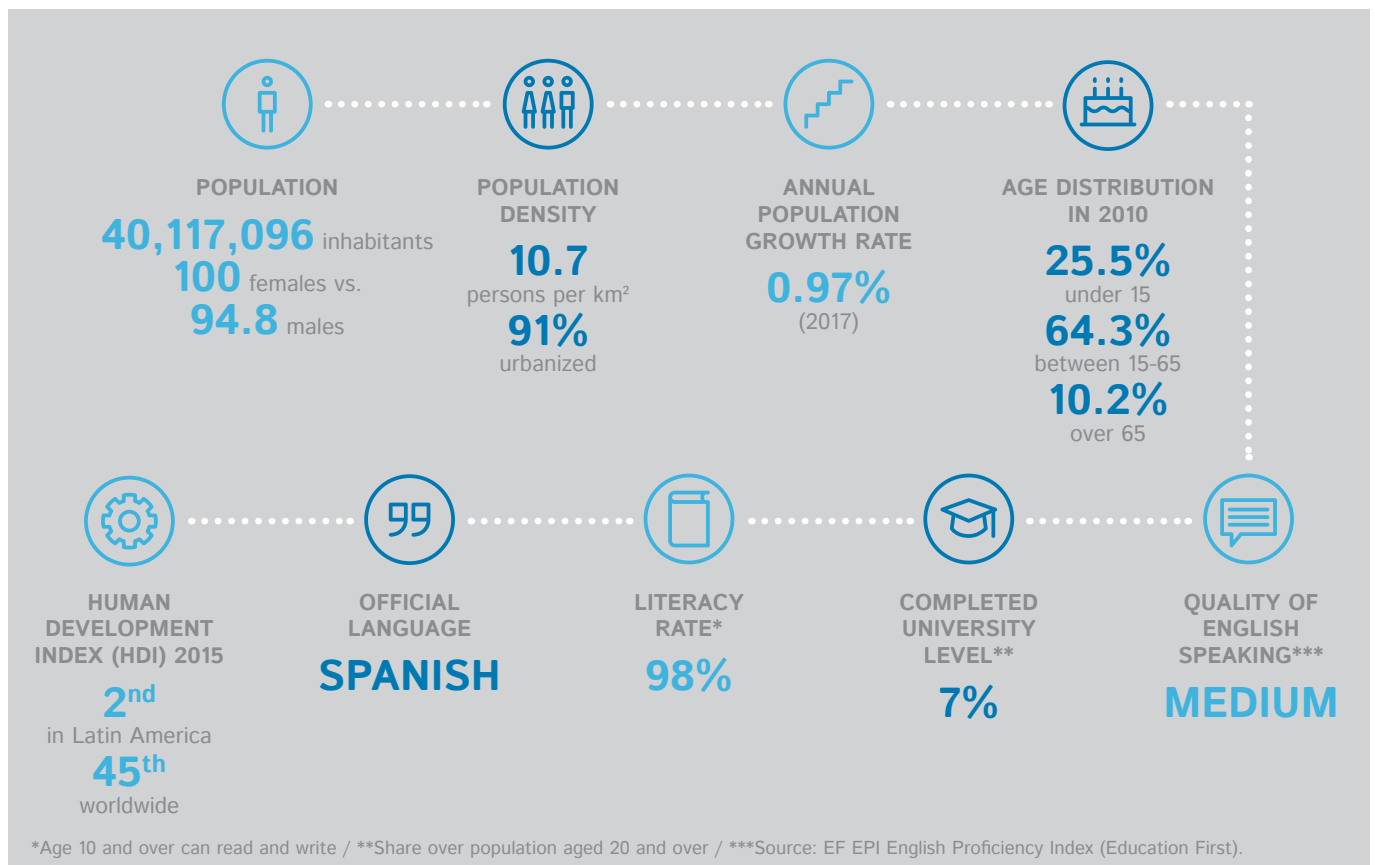
The population is not homogeneously distributed amongst the provinces, with the Pampas region accounting for 63%

of the population, with only 20% of the surface. Autonomous City of Buenos Aires is the most densely populated city with 14.450 inhabitants/km² followed by Tucuman (with 64.3 inhabitants/km²), while the southern province of Santa Cruz has only 1.1 inhabitant/km².

In terms of development, the Human Development Index (HDI) published by the United Nations Development Program (UNDP) places Argentina among the countries in the very high human development category. It ranks second in Latin America and 45 in the world rank in 2015.

Argentina is highly urbanized, with 91% of the population living in urban areas (defined as those with 2,000 or more inhabitants).

The official language of Argentina is Spanish, and it is spoken by the entire population in several different accents.



ECONOMY

GDP and Economic Activity

Argentina has the Latin-America's 3rd largest economy by purchasing power parity GDP. In 2017 its GDP in dollars reached 638 million and the GDP per capita approached US\$14,486. The new Government that took Office in December 2015 has embraced a market friendly approach with the business community and investors, in order to generate the necessary conditions for growing.

In terms of sectors, Argentina has a highly diversified economy. The primary sector is internationally renowned for its high productivity levels and use of advanced technologies. The country's well-developed industrial base showcases key sectors such as agribusiness, automotive, pharmaceuticals, chemicals and petrochemicals, biotechnology and design manufacturing. The service sector is the largest contributor to total GDP, accounting for over 50%.

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 reserves of shale oil and second in the case of shale gas. Also has gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stone.

The leading industrial sectors by gross value of production are food processing, beverages chemicals and pharmaceuticals; motor vehicles and auto parts and manufacture of coke, oil refining and nuclear fuel.

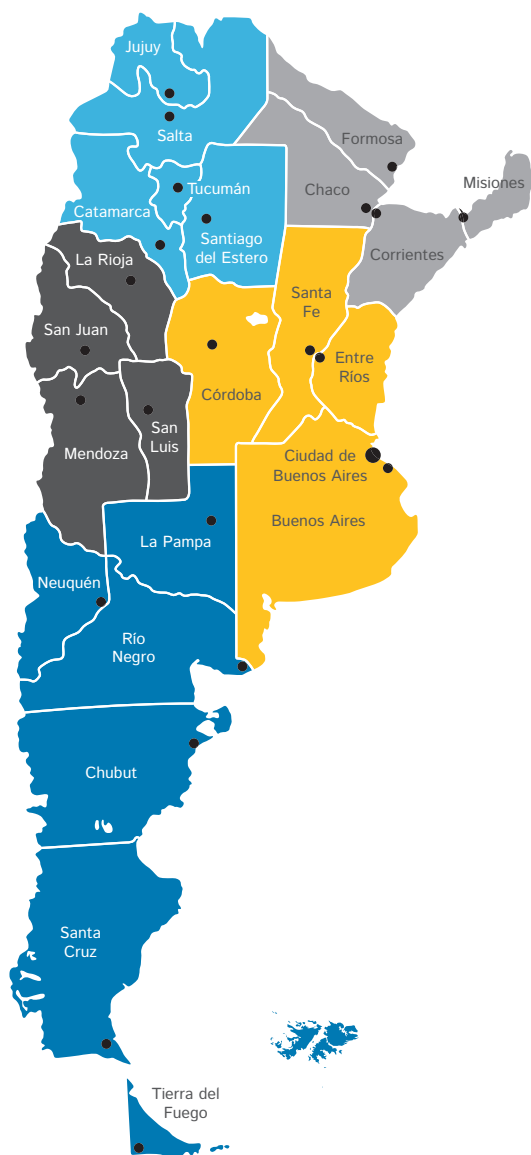
> Argentina holds the fourth largest shale oil and second largest shale gas reserves in the world. Other valuable resources include gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stone.

² Figures correspond to 2017/2018 campaign.



Regarding services, wholesale, retail, and reparations is the category with the largest share in the gross value added, followed by real state, business and rental activities. The whole service sector leads the labor market as the biggest jobs creator.

The provinces are usually grouped into regions:



Argentina is endowed with valuable natural resources, spread along the territory.

The most relevant sectors by region are as follows:

CUYO

Mining: gold, silver, copper. Wine, dried fruit. Renewable energy.

CENTER

Agricultural products: soy, wheat, maize, sunflower, peanut. Cattle raising. Automotive industry. ICT. Real estate. Agricultural equipment.

PATAGONIA

Fish. Fruit. Petroleum / shale oil / shale gas

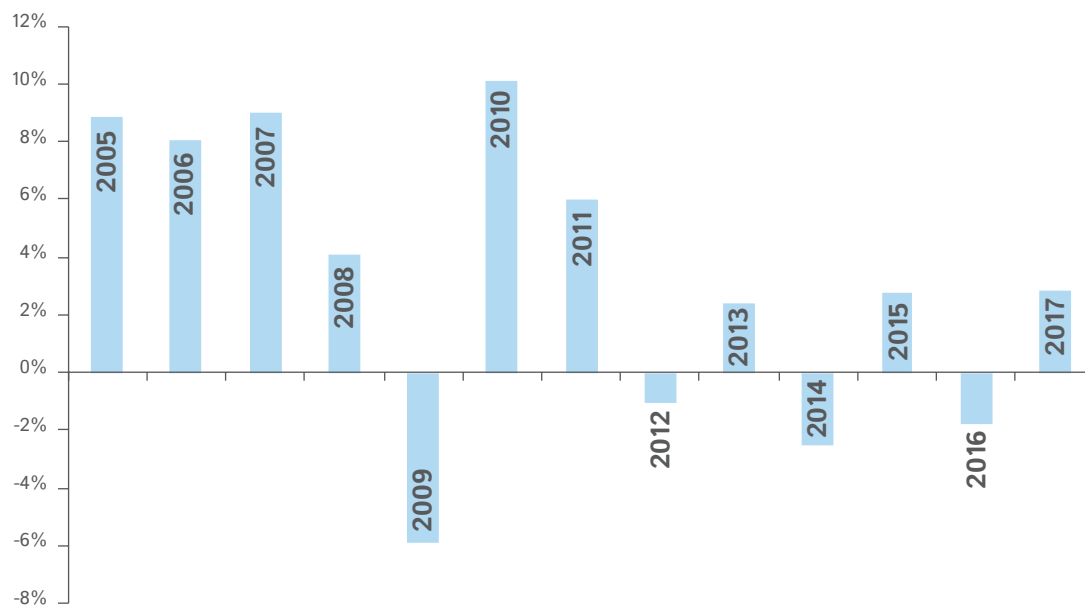
NORTHWEST

Agricultural products: soy, maize, sugar cane. Mining: gold, silver, lithium, potassium. Renewable energy. Gas.

NORTHEAST

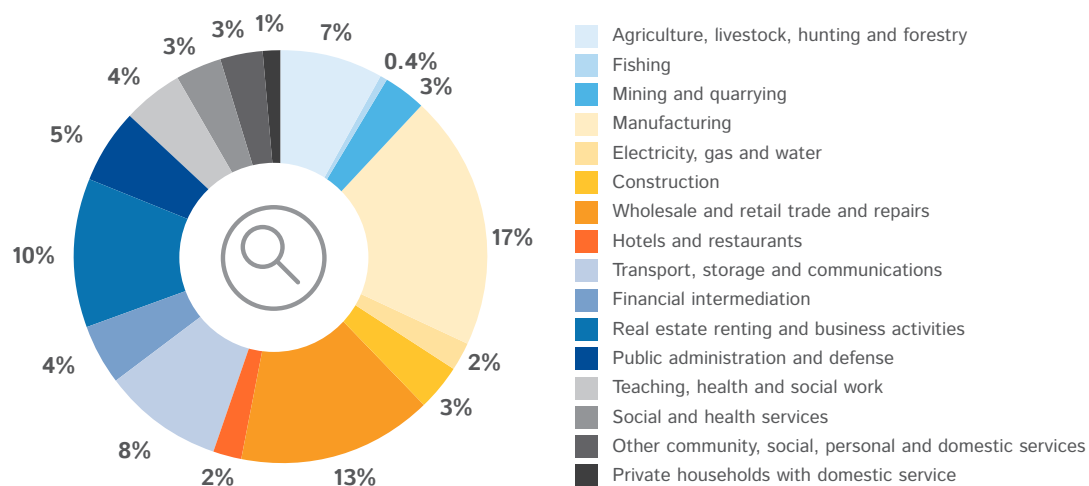
Agricultural products: rice, soy, maize, yerba mate, tea. Forestry. Citrus industry.

Real GDP growth



Source: own elaboration based on INDEC.

Composition of GDP by economic activity, 2017



Source: own elaboration based on INDEC.



Foreign trade

The current administration has focused on facilitating business and trade by simplifying bureaucratic process, lifting unnecessary barriers and boosting new markets for export goods. The recovery of the market of lemons in the USA and the opening of new markets for beef in Asia, for instance, are clear examples of that policy.

Argentina's main trade partners are Brazil, China and United States, in both 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 related products (over 63%), while the items sent to United States are products from the chemical and related industries (24%), common metals, and their manufactures (17%).

On the import side, Argentina buys mainly transport material from Brazil (49% of its total imports), electrical and electronical equipment from China (33%), and, on the other hand, products from chemical industries and related (23% of its total imports) from the United States.

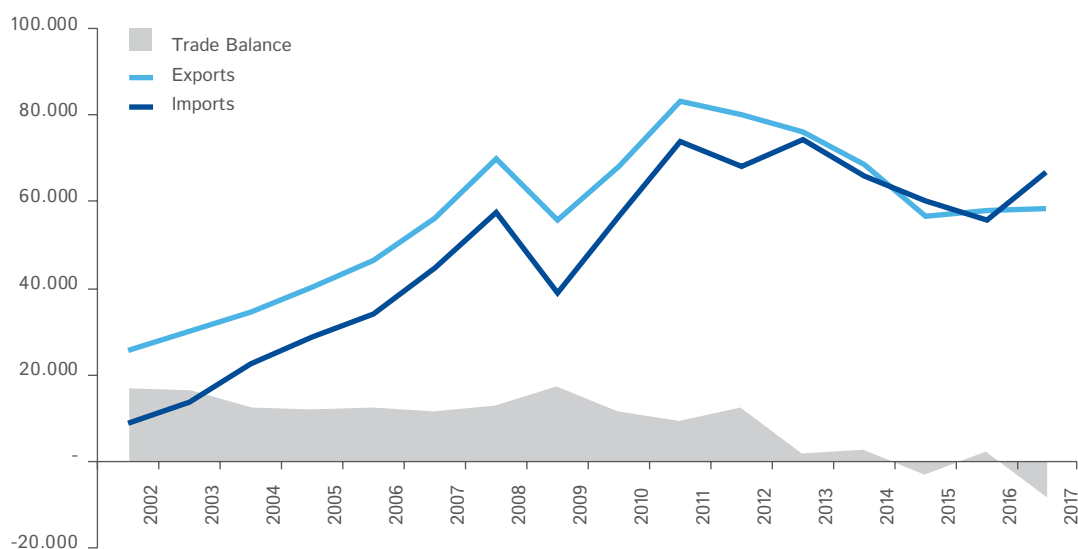
The trade balance of services has been negative historically. But two items have been showing positive balances (i.e., exports higher than imports): business, professional, and technical services, and computer and information services. Export oriented services companies have been consolidated in recent years mainly due to the human talent available in the country.

In the first semester of 2018, as a consequence of external and internal factors, the nominal exchange rate depreciated sharply, reaching a more competitive real exchange rate that would favor balancing the current account.

> President Macri has launched major regional and international initiatives to reinstituting Argentina into the world.



Foreign trade, US\$ million



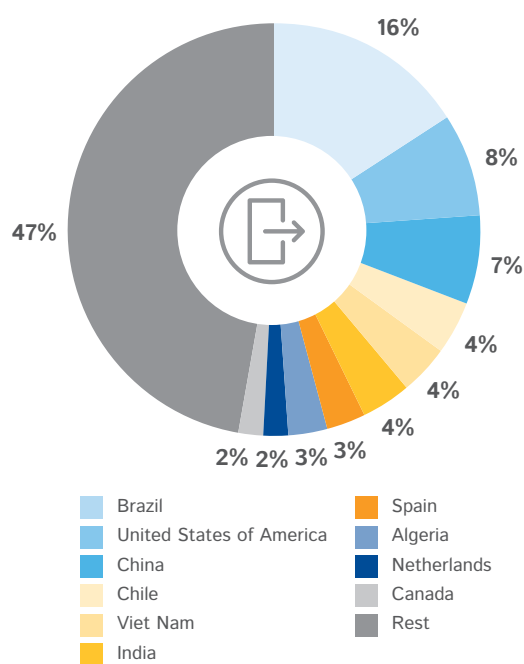
Source: own elaboration based on INDEC.

Exports and imports by sections of the Harmonized System (HS) code, percentage share

Section chapter	Exports		Imports	
	2017	2016	2017	2016
	%			
Total	100	100	100	100
I Live animals and products of animal origin	8	7	-	-
II Products of vegetable origin	21	23	2	2
III Fats and oils	8	9	-	-
IV Foodstuffs, beverages and tobacco	22	25	2	2
V Mineral products	4	4	9	9
VI Industrial products	8	8	14	15
VII Plastic rubber and its manufactures	2	2	5	6
VIII Leathers and leather manufactures (except footwear)	1	1	-	-
IX Wood, charcoal, cork, cork manufactures, cross-ties of wood	-	-	-	-
X Wood pulp, paper, paperboard	1	1	2	2
XI Textiles and textile articles	1	1	2	3
XII Footwear, umbrellas, artificial flowers and others	-	-	1	1
XIII Stone, plaster, cement, asbestos, mica, ceramic and glass manufactures	-	-	1	1
XIV Fine pearls, stones and precious metals, coins and others	4	4	-	-
XV Common metals and manufactures	3	2	5	5
XVI Machines, instruments and electric materials	2	2	28	28
XVII Transport equipment	11	9	22	21
XVIII Optical, medical or surgical instruments, watches and musical instruments	-	-	3	3
XIX Arms and ammunition	-	-	-	-
XX Commodities and different products	-	-	2	2
XXI Works of art, antiques	-	-	-	-
Special transactions	2	1	1	1

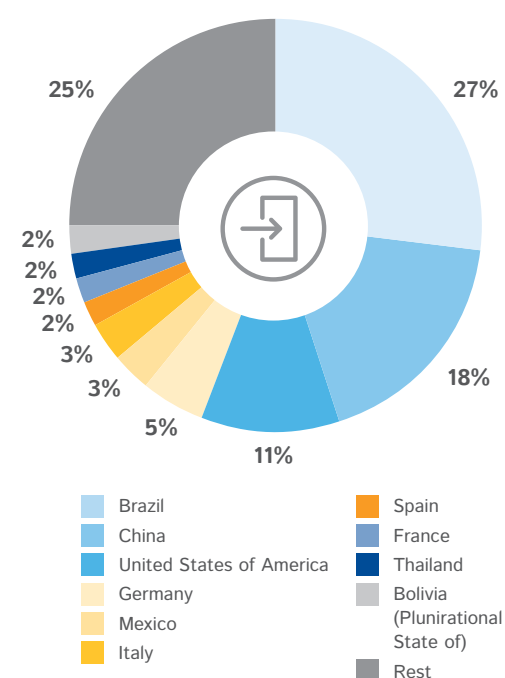
Foreign trade by partner:

Export 2017



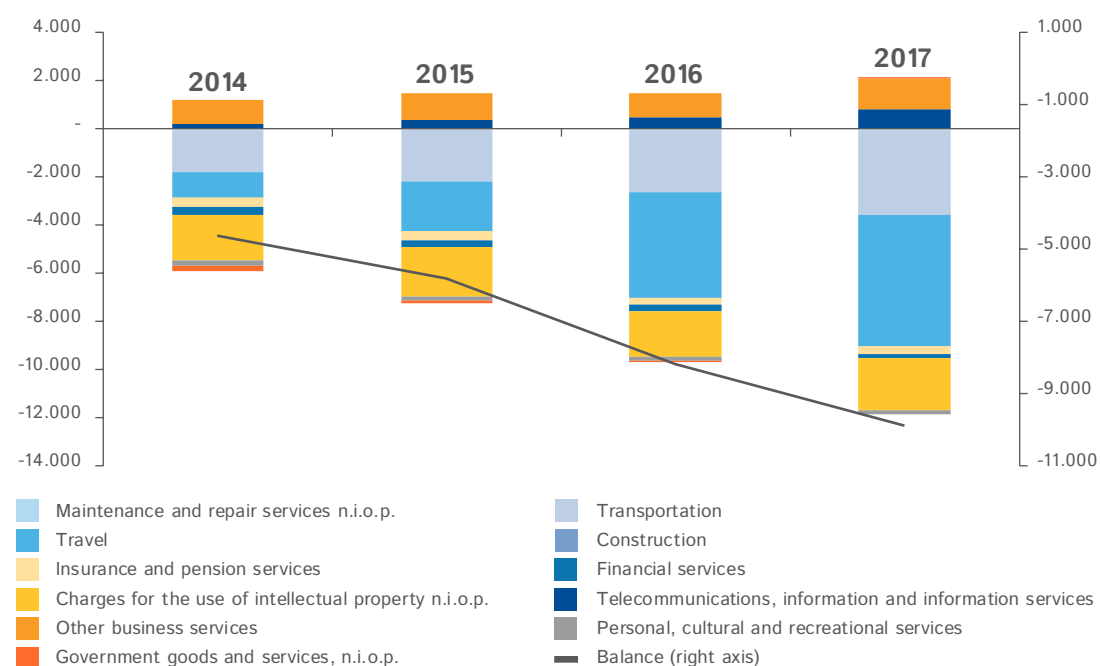
Source: own elaboration based on INDEC.

Import 2017



Source: own elaboration based on INDEC.

Service Balance



Public Sector

National Government revenue has been stable at around 19.4% of GDP in the last two years. More than half of it comes from tax collection while one third relates to social security income. The rest came from property income, non-tax income, current transfers and sales of goods and services.

On the other side, the national public expenditure share of GDP has reach 23% in 2017, hitting 2,419,198. More than 80% of the expenditures are concentrated in 3 areas: 56% are salaries and social security expenses and around 28% are transfers to the private sector.

On of the main goals of the Government is to reach a long term sustainable fiscal balance at a National Level. In 2017, the fiscal deficit target was exceeded, reaching a deficit of 3.8% of GDP when the goal was set up at 4.2%.

Gross tax burden, including national, provincial and municipal taxes (which is defined as the percentage ratio obtained by dividing total tax revenue by the GDP), reached 30.2% in 2017, the lowest value since 2012.

In its commitment to modernizing the tax system, but also with an eye on monitoring the fiscal deficit, the Argentine Congress passed on 27 December 2017 a large tax reform package that became effective on 1 January 2018.

Nevertheless, during the current year, the National Government set out again the path for adjusting the fiscal deficit accelerating the gradual approach to reach equilibrium. The foresee figures for primary fiscal deficit in terms of GDP are: -2.6% for 2018, 0.0% for 2019, and 1.0% for 2020.

To this end, certain aspects of the tax reform may be revised along 2018 in face of the need to reach fiscal equilibrium in 2019.

> During the current year, the National Government set out again the path for adjusting the fiscal deficit accelerating the gradual approach to reach equilibrium.



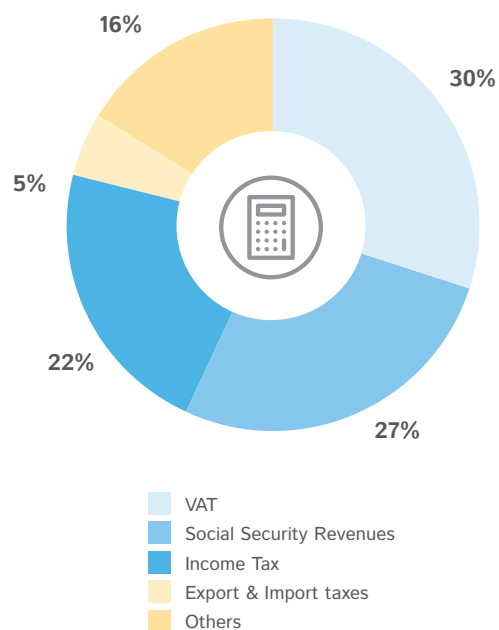
GOVERNMENT REVENUE
AROUND
19.4% OF GDP
(2016-2017)

GROSS TAX BURDEN
REACHED
30.2% IN 2017
1.35 PERCENTAGE POINTS
LOWER THAN IN 2015

GOVERNMENT EXCEED
ITS FISCAL GOAL TO
3.8% IN 2017

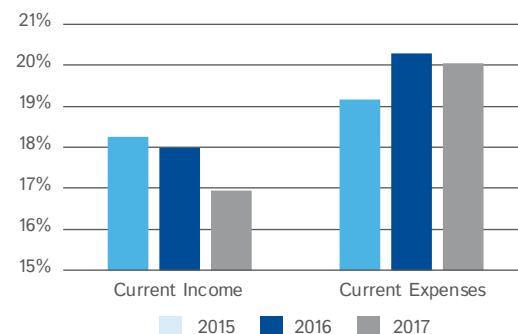
FORECAST FIGURES FOR PRIMARY
FISCAL DEFICIT IN TERMS OF GDP
-2.6% FOR 2018
0.0% FOR 2019
1.0% FOR 2020

Taxes, share % 2017



Source: own elaboration based on MECON.

Income and expenses to GDP ratio



Source: own elaboration based on MECON.

> Foreign investors are not required to obtain government permission to make investments in the country.

Monetary Policy & Capital Flows

The Central Bank of Argentina (BCRA for its acronym in Spanish) conducts the monetary policy.

The purpose of BCRA is to promote –to the extent of its powers and within the framework of the policies set by the National Government– monetary stability, financial stability, employment, and economic development with social equity.

Without prejudice to the use of more specific instruments for the fulfillment of other mandates, monetary policy focuses on the mandate of monetary stability, which means price stability. Promoting monetary stability means for the BCRA to induce a systematic and sustainable lowering of the inflation rate, to reach 5% per year in 2022.

Regarding the monetary regime, the inflation targeting monetary policy implemented in January 2016 is ratified with the interest rate as an instrument, and an exchange rate flotation scheme with eventual interventions in the face of disruptive dynamics.

There are no restrictions on foreign investment. No prior approval from Argentine authorities is required, though some of them are applicable to sensitive areas, such as telecommunications, defense and oil and gas. After the new government took office, profits can be freely transferred and the BCRA has eliminated restrictions for banks to sell foreign currency to their clients, which were in force until 2015. There is a legal system that seeks to prevent money laundering based on the recommendations of the FATF. BCRA has eased several regulations which, in the past, controlled the country's capital inflows and outflows.

Foreign investors are not required to obtain government permission to make investments in the country. They can wholly own a company, and any investments in shares listed on the stock exchange require no government approval. Foreign companies as shareholders, partners or home office have to be registered with the Public Registry of Commerce. In general terms, there are not legal restrictions to take money out of Argentina.

Real multilateral exchange rate, base dec99=1



Source: own elaboration based on BCRA.

> The new Government has put as a main goal boosting the investment in Infrastructure in different strategic sectors.

Infrastructure

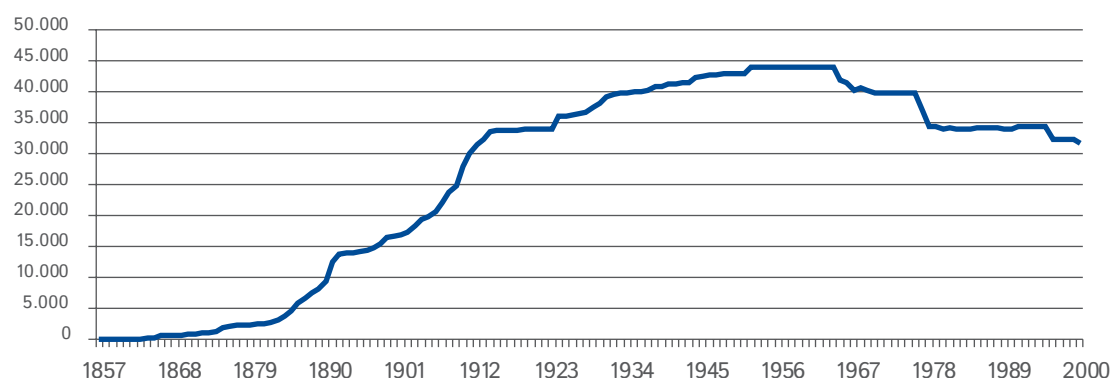
Argentina ranked 106 out of 140 countries in terms of quality of overall infrastructure, according to the Global Competitive Report, published by the World Economic Forum 2018 (WEF).

Argentina has faced a lack of investment in infrastructure in the last years, which had deteriorated its overall quality. To revert that situation, the new Government has put as a main goal boosting the investment in Infrastructure in different strategic sectors, specially in those areas that improve productivity, reduce logistic costs and generate new energy capabilities.

The National Government started to execute a major program of public investment that involves the construction of 2,800 km of highways; 4,000 km of safe roads; 13,000 of paving.

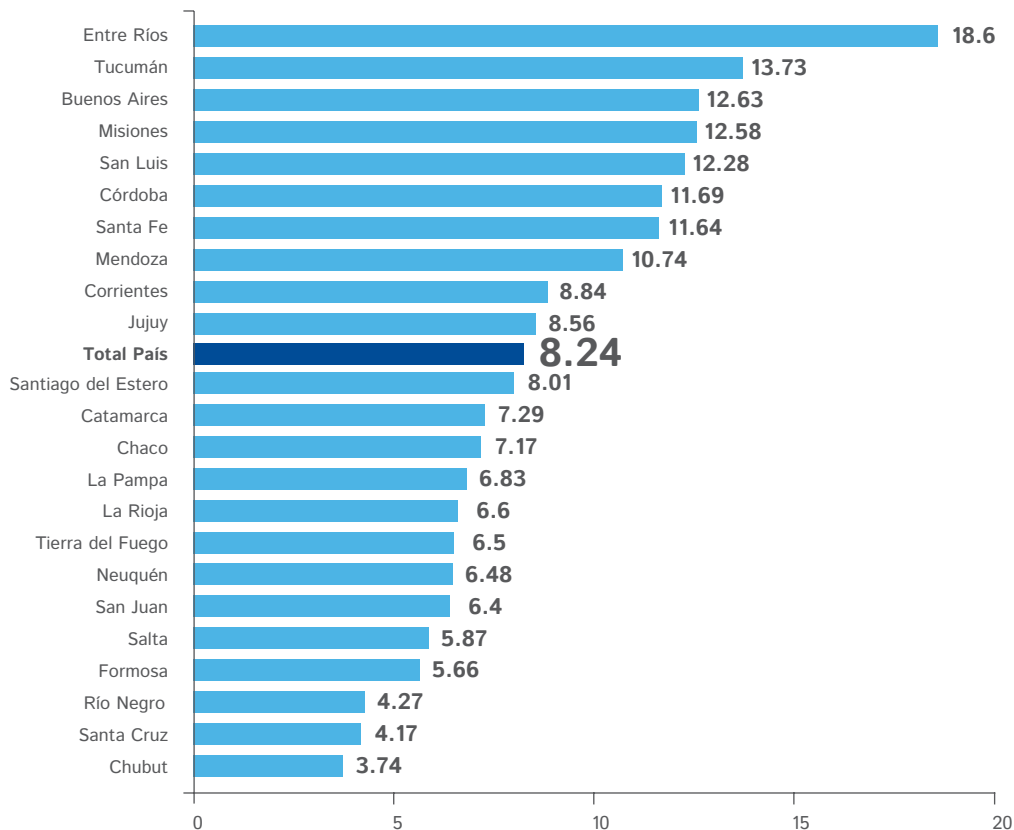
With the Public-Private Partnership Contracts, law which regulates the essential aspects of public-private partnership contracts entered into by the State, as contracting party, and the private sector, as contractor; the country has an opportunity to attract new infrastructure investment without compromising the achievement of fiscal goals.

Argentine railway network length (in km)



Source: National Transport Data Observatory - Technology Center for Transport, Traffic and Road Safety of the Universidad Tecnológica Nacional.

Road Density* (km of national and provincial roads per 100km²). Year 2014



Source: SIDEPA. National Bureau of Economic Relations with the Provinces

> The country has 53 airports, 22 of which are international. The most relevant airports are located in the Province of Buenos Aires and in the Autonomous City of Buenos Aires.

> Argentina has 40 port areas along the Atlantic Ocean coast. The Port of the Autonomous City of Buenos Aires concentrates 60% of cargo containers in the country.

The country has 53 airports, 22 of which are international. The most relevant ones are Aeropuerto Internacional de Ezeiza (Ministro Pistarini) and Jorge Newbery, the first one located in Buenos Aires and the other in the Autonomous City of Buenos Aires. The other relevant ones are located 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: Buenos Aires, Córdoba, Santa Fe, Mendoza, Salta, Tucumán, Río Negro and Neuquén; the new routes requested will add to that list: Jujuy, San Juan, La Rioja, Corrientes, Misiones, Chaco, Catamarca, Chubut, Santa Cruz and Tierra del Fuego. However, in the near future new domestic routes will be enabled and would connect 45 cities in the country, while new international routes would link Argentina with 55 cities in 14 countries of the world.

The development of the air transport sector promoted by the Ministry of Transportation with the plan "The Revolution of the Aircraft" includes the modernization of infrastructure at 30 airports in the country, the incorporation of new air navigation technology, new equipment for the operation logistics and other complementary works to improve civil aviation.

Regarding ports, Argentina has 40 zones along the Atlantic Ocean. There is one in the Autonomous City of Buenos Aires that concentrates 60% of cargo container of the country. There are 10 in the Buenos Aires province. In the south, the Patagonia region accounts for 15 and are mainly dedicated to transport petroleum and fish. In the Santa Fe province, there are 3 ports mainly used for grain exports. Finally there are 11 more in the Northeast region.

The Government has made strides on improving 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 was 142 accesses per 100 inhabitants during 2017. Although Argentina's broadband penetration is the third highest in Latin America, after Uruguay and Chile, the average download speeds, at about 5.5Mb/s, are relatively low for the region.

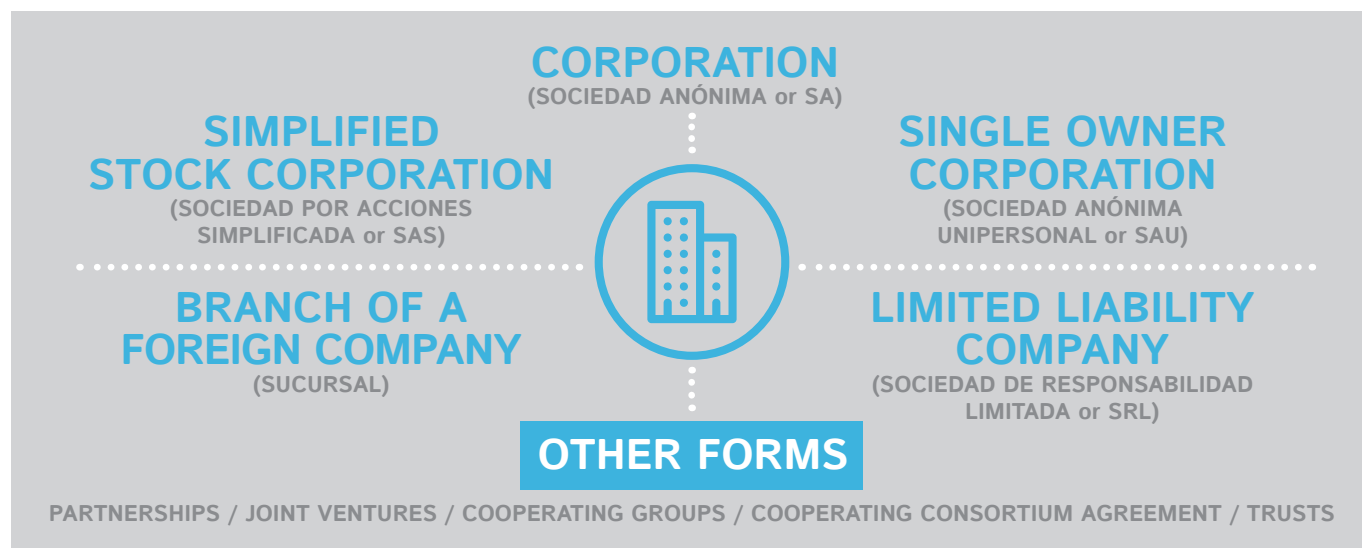
The country energy sources are mainly two: gas (54%) and petroleum (31%). The other 15% is integrated by hydropower, nuclear energy, mineral carbon, firewood, bagasse energy, vegetable oils, alcohols plant, wind energy, solar energy. The Government has already begun fostering investments and implementing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





2. SETTING UP A BUSINESS

BUSINESS TYPES



The most commonly used investment vehicles by non-resident individuals 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 Argentine law and the regulations of the Argentine Regulatory Agency of Companies for the City of Buenos Aires ("*Inspección General de Justicia*" or "IGJ"), are set out below.

Corporation ("*Sociedad Anónima*", or "S.A.")

- Capital is divided into shares of stock. Shares must be registered and non-endorsable. According to the rights they grant, 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 AR\$ 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 with the IGJ, among other documentation, to be registered by such Authority to become 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, considering the performance and compensation of the members of the

board and 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. A majority of the directors must be Argentine residents. When the corporate capital rise to the amount of AR\$ 50,000,000.- the appointment of three principal directors is mandatory.
- Certain stock corporations that 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 by 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 serving and one alternate statutory auditor.

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 with 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 previously be registered by 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 AR\$ 50,000,000.-
- Similar rules apply to SRLs and SAs regarding partners' and managers' liability, with a few exceptions. If more than one manager is appointed, liability will depend on the provisions of the bylaws.

According to IGJ recent regulations, a corporation, SAU or limited liability company may be incorporated on an urgent basis in a term of 24 hours since filing of all required documentation if no objections to the documents filed are made by the Authority.

> 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, with 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.

Simplified Stock Corporation ("*Sociedad por Acciones Simplificada*" or "SAS")

Law No. 27,349 introduced a new company type, the Simplified Stock Corporation (hereinafter, the "SAS"). Even though the SAS is similar to a corporation, there are some special requirements and characteristics that make this new company type attractive. The main aspects to be considered are the following:

- The SAS, unlike the corporation, may be incorporated through digital means.
- The SAS can be formed by only one shareholder.
- The minimum share capital shall be equal to two monthly minimum salaries. At the time of issuance of this document, the monthly minimum salary amounts around AR\$ 10,700.- (approximately US\$ 285.- considering an exchange rate of AR\$ 37.50.- per dollar). This makes the minimum share capital of approximately US\$ 570.- In contrast, the corporation must have a minimum share capital of AR\$ 100,000.- (approximately US\$ 2,666.-).
- The SAS can have a plural corporate purpose. Activities of said plural corporate purpose do not need to be related.
- The SAS must not: (i) be partially owned by public entities, (ii) develop activities of capitalization or related to third party's savings, or (iii) exploit concessions or public services.
- The SAS may not be controlled or participate in more than a 30% in companies detailed in section (e) above.
- Corporate and accounting books of the SAS shall be held through digital records unlike corporations which keeps some of their records in regular books.

The incorporation of the SAS shall take place within 24 hours as of filing of the required documentation if no objections are made by the Authority.

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 the bylaws state otherwise.

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 works, 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 appointment of representative must be registered with 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 must be registered with the IGJ. They do not have a profit purpose. Their members are jointly and severally liable for the obligations undertaken by this organization.

Cooperating consortium agreement ("*Consortios de cooperación*")

These are similar in nature and characteristics 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 with the IGJ.

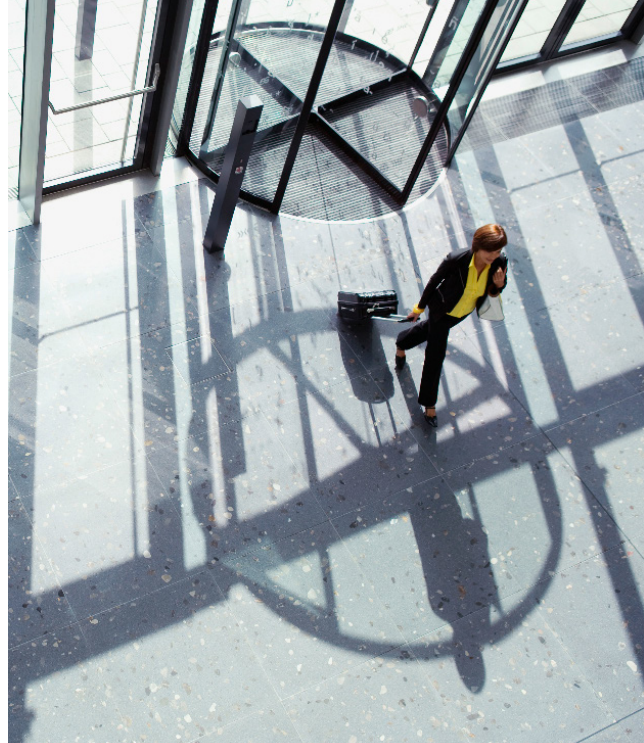
Trusts ("*Fideicomisos*")

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

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

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

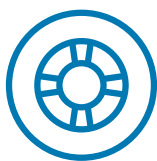
> Trusts, which are a contract-based arrangement according to Argentine law, allow partners in an endeavor to isolate certain assets or property to be used for specific purposes.



REGULATORY FRAMEWORK



FINANCIAL
ACTIVITIES



INSURANCE
ACTIVITIES



CAPITAL
MARKETS
REGULATIONS



OIL
AND GAS



MINING



ENERGY AND
NATURAL
RESOURCES



PUBLIC
WORK

Financial activities

Pursuant to 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 any other insurable interest of national jurisdiction. In addition, Law No. 20,091 establishes that the following types of business entities may perform insurance activities in the country:

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

Capital Markets regulations

On 11.05.2018, the "Productive Financing Law" (Act No. 27,440) that amended the "Capital Markets Act" (Act 26,831) was published in 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), considering the development of the capital market as a strategic and fundamental activity for the growth of the country. Some of its main objectives are to promote the integrity and transparency of the capital market, minimize systemic risk by fostering a healthy and free competition and facilitating the financing conditions of companies.

Oil and Gas

Exploration and production activities are regulated by Law No. 17,319, as amended (the "Hydrocarbons' 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 reserves. 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 with the Ministry of Energy & Mining and with any relevant provincial authorities as an oil company. 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 the minerals in a specific area. As per 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 the area.

Energy and Natural Resources

The electricity sector was reformed and privatized in 1992 by the federal and provincial governments.

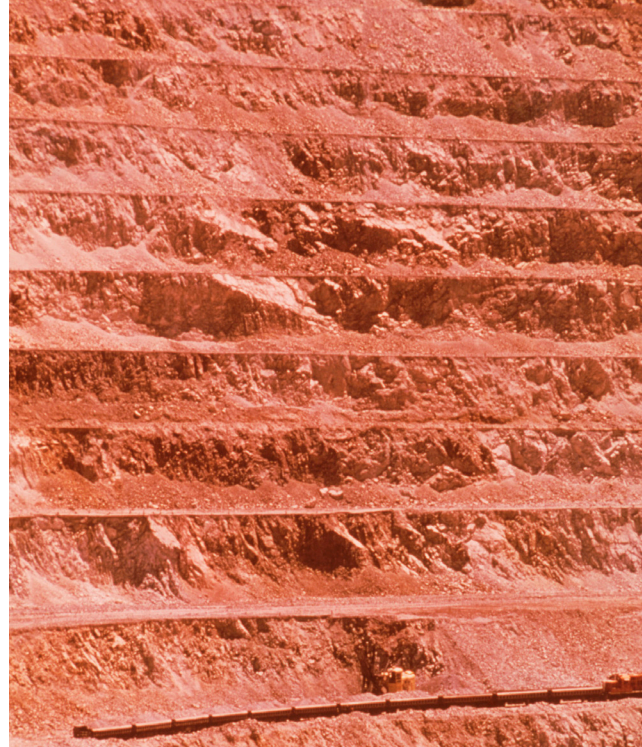
At the federal level, the legal framework consists of Law No. 24,065 and implementing regulations 1398/1992 and 18619/95, among many other decrees and resolutions from the regulatory agencies.

This legal framework created four vertical divisions within the electricity sector: generation, transmission, distribution and demand. To supplement the general legal framework in the electricity 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 power 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 before the Ministry of Energy & Mining and receive a Certificate of Qualification into the “Renewable Sources of Energy Program”.

> The regulatory framework under “renewable sources of energy” includes the following: solar power, wind power, geothermal power, tidal energy, hydraulic power and biomass power, among others. The regulatory framework grants certain tax benefits to the individuals or entities in charge of qualified projects.

Public Work

On November 16, 2016, the Congress passed the Act 27,328, which established the legal framework for Public-Private Partnership contracts (PPP). The PPP Act it's an innovation introduced by the present government, that allows a collaborative cooperation between the public and private sector.





In this kind of contracts there is a distribution of risks between the contracting authority and the contractor, the latter assuming responsibility for obtaining a substantial part of the financing of the project. PPP contracts grant legal predictability to the private sector by clearly defining the rights and obligations of the parties subjected to such contracts and they constitute an alternative to the public works contracts and concessions regulations. PPP contracts can be concluded between the Public Sector and private or public subjects. The purpose of the PPP contracts must aim at the development of the following sectors: infrastructure; living place; activities and services; productive investment; applied research and / or technological innovation.

The selection of the Contractor will be made through national or international bidding process, according to the technical complexity of the project, the participation capacity of the local companies, economic and / or financial reasons linked to the characteristics of the project, the capacity of available contracting, and / or the origin of the funds when dealing with projects that require external financing.

Transparency, publicity, dissemination, equality, concurrence and competence in the selection procedures and acts dictated accordingly must be guaranteed. For such purposes, the contracting entity will ensure the comparability of the proposals, guaranteeing the homogeneity of criteria, supplying and establishing, with clarity, the bases, requirements and other projections that are necessary for the preparation of the offers.

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 with the Trademark Office (Instituto Nacional de la Propiedad Industrial or INPI).

The duration of a trademark registration and, thus, its protection, is ten years from the grant date and is renewable 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 step; 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 with the INPI to be enforceable against third parties.

Pharmaceutical Patents

Regulation, 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, Ministry of Production and Ministry of Health Joint Resolution Nos. 118/2012, 546/2012 and 107/2012. The above referred regulation severely restricts 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 was not 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 not 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.

> If the design or model was not 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.

Copyright

The legal framework for copyright regulation 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.



TRADEMARKS AND
TRADE NAMES

PATENTS
AND
UTILITY MODELS

PHARMACEUTICAL
PATENTS

INDUSTRIAL
DESIGNS
AND
MODELS

COPYRIGHT



3. THE ARGENTINE TAX SYSTEM

MAIN TAXES



The federal, provincial and municipal governments levy taxes in Argentina. The federal government imposes Income Tax, Value Added Tax, Minimum Presumed Income 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 public advertising, 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 balance due.

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, depending on the level of income, informative tax returns could be required.

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 books of account 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

A comprehensive tax reform (Law 27,430) was enacted through publication in the Official Bulletin on 29 December 2017. The amendments introduced by the Law are generally effective from January 1, 2018.

• Tax rates

The rate of the corporate income tax will be gradually reduced according to the following schedule:

2018 and 2019—a rate of 30%

2020 onwards—a rate of 25%

An additional withholding tax will be levied on distributed dividends or profits, bringing the total tax rate to 35%, as follows:

- 7% dividend withholding tax rate for distributions on profits accrued for tax years, between January 1 2018 and 31 December 2019;
- 13% dividend withholding tax rate for distributions on profits accrued for tax years starting on or after January 1, 2020.

• **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 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 dividends are paid. Companies formed under Argentine law, as well as commercial, industrial, agricultural, mining, and other types of permanent establishments of foreign entities, are considered to be residents. They must keep separate books and records for a permanent establishment in Argentina.

Important issues

Thin capitalization rules

Interest on financial debts - thus excluding any debts arising from the acquisition of assets, and 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, 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 be consistent with prices that would have been charged in similar transactions performed on an arm's length basis.

Dividends

The tax reform has eliminated the Equalization Tax mechanism for dividends or profits accrued in

fiscal years started as of 1/1/2018, maintaining its application for the previous years.

The purpose of the Equalization Tax was to subject to a 35% withholding rate the excess that would be verified between accumulated accounting and taxable profits.

Royalties

Royalties are deductible and subject to withholding tax. The withholding rate depends on the nature of the service and 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.

Interest

Interest is a deductible expense and is subject to withholding tax 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 derivative transactions (excluding hedge transactions) can only be offset against income arising from similar transactions.

Inflation adjustment

Argentine tax legislation sets forth an adjustment for inflation. The new tax reform has re-established the integral adjustment for inflation procedures as long as the variation of the Internal Wholesale Price Index (Índice de Precios Internos al por Mayor – IPIM) accumulated in the 36 months prior to the end of the fiscal period, is higher than 100%. This provision will be applicable for fiscal years initiated as from January 2018. The Tax Reform introduced a Revaluation of Assets Regime for Tax Purposes (RARTP).

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 may be carried forward for a period of up to five years.

Export Duties

The Decree 793/2018 established, until December 31, 2020, an export duty of 12% for all merchandise. It may not exceed \$ 4 (four Pesos) for each US Dollar of the taxable value or the official FOB price.

- **Business income**

Business income includes income from the sale of goods, depreciable assets, shares or real estate; income from dividends other than from resident companies; interest; royalties and fees; and foreign-exchange gains.

The only type of business income for which the law specifically defines "gross profit" is that derived from the sale of inventories; it is defined as 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. tax. They are included in the scope of income tax and, consequently, subject to a 35% rate, the same as ordinary income.

- **Net operating losses**

Net operating losses may not be carried back, but may be carried forward for a maximum of five years.

Nonresident 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 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 (at the taxpayer's option). However, foreign beneficiaries -provided they do not reside in and the funds do not come from non-cooperative jurisdictions- will be exempted on:

- 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 on the sale of public securities, negotiable obligations and certificates of deposit of shares issued abroad that represent shares issued by entities domiciled or located in Argentina (i.e., ADRs). LEBACS (Central Bank notes) are not comprised within this exemption.

The tax reform introduced the 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 in any of 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 in any of 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.

OTHER 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 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. Services rendered and loans granted from abroad for which utilization is made 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 the VAT paid on inputs may be recovered through tax refunds, upon request by the taxpayer.

Minimum Presumed Income Tax

This tax is imposed upon the value of assets located in Argentina and abroad belonging to, among others, companies, foundations and civil associations domiciled in Argentina as well as sole proprietors located in the country, trusts and permanent establishments of non-residents in Argentina. Liabilities cannot be deducted. The applicable rate is 1%. If the aggregate value of the assets in the country is lower than ARS 200,000 the Minimum Presumed Income tax is not applicable.

The minimum presumed income tax would no longer be effective as from January 1, 2019, according to the recently enacted tax amnesty law (Law 27,260).



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, organized under Law 19,550 and most local trusts, is a foreign entity.

At present, Argentine companies pay this tax as substitutes for their shareholders. Such tax is equivalent to 0.25% of the equity of the local entity annually. 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, report of receipts from, and payments to, merchants within the credit card system in which case the tax rate will be 12‰.

Holders of bank accounts levied with the general rate of 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 or minimum presumed income tax.

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.

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 at 1%; industrial activities at 1.5%; commerce and services in general at 3% to 4%; and financial and intermediary activities at 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 1.5%. 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 certain processing of 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 from the filing of 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 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 up to the lower of 10% or ARS 5 million of certain eligible expenditures in research, 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, primarily, consist 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 exclusively for the export market.

5

Software industry regime

- The law provides for tax benefits to certain activities undertaken in the software industry, including the creation, design, development, production and implementation of software systems and operating instructions. The tax benefits provided by this regime are available until December 2019, according to the regulations of Law 26,692.
- Under the law, the tax benefits include:
 - **Tax stability:** Under the new tax regime, taxpayers (both entities and individuals) will not be subject to raises in all national tax rates until December 31, 2019.
 - **Bonus tax credit:** taxpayers are allowed an additional tax credit amount equal to 70% of employers' contributions effectively paid to the social security systems. The bonus tax credit can be used against certain national taxes, except for the income tax.
 - **60% exclusion applicable to Income tax payable.**

6

Biofuel industry

- The law defines biofuel as bioethanol, biodiesel and biogas produced with raw material from agriculture, agro-industrial 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 and investments in infrastructure;
 - An exemption for such assets from the minimum presumed income tax; and
 - 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 thereof;
 - 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; and
 - 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 the tax exemptions, the activities need to be performed in Tierra del Fuego's territory.

9

Renewable Energies Regime

- By the end of 2015, Law 27,191 was enacted for the purpose of fostering the generation of electricity from renewable sources.
- The Law defines that 8% of the electricity used should be generated from renewable sources by the end of year 2017 and 20% by the end of year 2025. Goals shall be progressively met in accordance with the following schedule:
 - 31/12/2017: Minimum consumption 8%
 - 31/12/2019: Minimum consumption 12%
 - 31/12/2021: Minimum consumption 16%
 - 31/12/2023: Minimum consumption 18%
 - 31/12/2025: Minimum consumption 20%
- The tax benefits available under this regime are the following:
 - VAT: Early refund of the tax in the construction stage.

- Income tax:
 - Accelerated depreciation of personal property and infrastructure works
 - Tax losses can be carried forward up to 10 years
- Tax certificate equivalent to 20% of the national components value incorporated to the project (excluding infrastructure works). To apply for it, at least 60% of the investment should be national. The certificate can be assigned only once.
- Import duties exemption.
- Tax increases: tax increases may be passed through to the price.

10

MiPyME Companies Regime

- Law 27,264 provides MiPyME (Micro, Small and Medium-sized) Companies with several tax benefits. Among them:
 - Minimum presumed income tax exemption from fiscal year 2017 onwards.
 - 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 immediately following the original VAT due date.
 - Fiscal stability from 1 July 2016 until 31 December 2018.
 - Further tax benefits are provided for those MiPyME Companies making productive investments and for those developing the manufacturing industry.
 - Law 27,440 has established the electronic credit invoice as a financing instrument for MiPyMEs.

11

Technological District (Buenos Aires)

- The District shall function as a center of technology promotion and development, innovation and knowledge, which gathers software, IT and Communication companies and highly qualified professionals.
- Companies that set up in the District shall enjoy the following benefits and exemptions:
 - Turnover tax and stamp tax exemption as well as public lighting, sweeping and cleaning (in Spanish, ABL) service charge exemption for 10 years.
 - Companies will be able to defer taxes to foster investments and will have tax incentives for construction works for a 10-year period.

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 United Arab Emirates (not yet in force). In addition, a number of treaties concerning income tax exemption for international transport are in force.

> 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 (not yet in force).



4. LABOR LEGISLATION

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

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 9.6% (second quarter of 2018)³.

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

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 employer-provided automobiles and bonuses. A car policy is suggested as the company-provided car should be considered part of the salary package unless it is used as a work tool, and is needed for the work to be performed.

> Currently, Argentina has an unemployment rate of 9.6% (second quarter of 2018).

Surveys show that salaries for managerial positions range from ARS 1,560,000 to ARS 3,120,000 a year, depending on the size of the company and the industry. The average is about ARS 180,000 per month.

If the employer agrees to pay all 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 180,000 may result in a total executive compensation cost to the employer of approximately ARS 330,000 (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.

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 ranges.

ADVANCE NOTICE

Employer shall give notice of the termination of the labor relationship to the employee no later than 15 days, in the case the employee is working under 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 intention to terminate the employment contract 15 days in advance.

During the notice period, the employee is entitled to take two hours off each day to search for new employment. He/She 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.

³ National Statistics and Censuses Institute (INDEC).

Notice must be served in writing and is effective as from the day following 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 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 were shorter.

In conformity 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.

With regard to 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 his last year of service. Otherwise, the referred cap will be considered unconstitutional and the compensation will be calculated on the basis of 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.).

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

LABOR UNION 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 a Collective Bargaining Agreement. Employees covered by the CBA could also be affiliates of the union.

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 not residing 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.



- > PENSION FUND
- > FAMILY ALLOWANCES
- > UNEMPLOYMENT FUND
- > MEDICAL CARE CONTRIBUTIONS
- > WORKERS COMPENSATION INSURANCE

> Other minor payments apply under certain circumstances, mainly according to collective bargaining agreements and provincial taxes.

a) 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 September 1st, 2018: ARS 97,637.14)⁴. Employers contribute 12.01% of their employees' compensation without any limit.

Service and commercial companies invoicing more than ARS 48,000,000 a year⁵ contribute 12.53% of their employees' salaries without any limit.

b) Family Allowances

Employers contribute 4.57% (5.48% in the case of commercial or service activities invoicing more than ARS 48,000,000⁶ a year) of all compensation to a family allowance fund.

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 (in Spanish, ANSES).

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, there is no family allowance for employees whose salaries exceed ARS 47,393 or ARS 94,786, depending on their family composition, since September 2018 (except for maternity and disabled children).

Allowances are adjusted periodically.

c) Unemployment Fund

Employers are required to contribute 0.92% of all compensation to an unemployment fund. For service and commercial companies invoicing more than ARS 48,000,000⁸ a year, the contribution amounts to 1.09% of their employees' remuneration.

d) Medical Care Contributions

Employees contribute 3% of their earnings or a monthly maximum of ARS 97,637.14 (since September 1, 2018)⁹, for medical care. The amounts paid are allocated to several organizations that provide healthcare assistance. The employer also contributes 6% of employee earnings without limit since November 2008. The government, through a public fund named 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.

e) Workers Compensation Insurance

In July 1996, a new Workers Compensation Insurance Law came into force.

Workers Compensation Law prescribes that a mandatory insurance policy be taken from an authorized Workers Compensation Insurance Company. The policy shall cover salaries, the cost of medical care, professional rehabilitation, prostheses and orthopedic elements, burial expenses and indemnities for partial or total disability and death as a consequence of occupational accidents and diseases.

Companies can directly cover (without taking out an insurance policy) the costs of these services and/or indemnities, provided 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 for their employees and their heirs.

Contribution to Workers Compensation Insurance Companies is composed of a fixed amount per employee and a variable percentage calculated on the amount of the salary applied as calculation basis by the employer's contribution to Pension (without any cap) plus non-wage items (not including compensatory items in the case of termination).

The insurance premium is calculated taking into consideration a percentage of the employees' remuneration and varies according to the company's activity, the amount of employees and the compliance with security standards.

The average range varies from 0.50% to 17% of the taxable salary of each employee.

⁴ This cap is updated every 3 months (March, June, September and December).

⁵ This parameter is sustained by the Tax Authorities. Nevertheless, in the most recent years, taxpayers objected to the lack of update thereof. At present, there is case law against the Tax Authorities' position.

⁶ Please refer to Note 9.

⁷ Family Allowances System (in Spanish, Sistema Único de Asignaciones Familiares).

⁸ Please refer to Note 9.

⁹ This cap is updated every 3 months (March, June, September and December).



Summary of Employer and Employee Contributions (until 31.12.2018)

The following table summarizes the main contributions.

	Employer (I) %	Employer (II) %	Employee %
Pension fund	10.47 (1)	12.53 (1)	11.00 (3)
Pensioners' healthcare fund	1.54 (1)	1.60 (1)	3.0 (3)
Family allowance fund	4.57 (1)	5.48 (1)	-
Unemployment fund	0.92 (1)	1.09 (1)	-
Private health insurance	6.00 (2)	6.00 (2)	3.00 (3)
	23.50	26.70	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 would 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 would be higher.

(1) These percentages apply to the total remuneration without any limit.

(2) In principle, these percentages apply to the total remuneration without any limit since November 2008.

(3) These percentages apply to the total remuneration or to the monthly limit of ARS 97,637.14—since September 1, 2018— (taxable monthly salary), whichever is lower. This cap is updated every 3 months (March, June, September and December).

From such employer contribution, a percentage that varies depending on the geographical area where the employees are located can be computed as a VAT credit. 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 contributions' calculation, 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 be progressively eliminated until final conclusion in 2022 (Tax reform).

Law 27,430, published on December 29th, 2017, modified social security contributions to encourage greater investment, promote the creation of employment and fight against tax and labor evasion.

One of the adopted measures is a gradual implementation of a minimum non-taxable amount of ARS 12,000. As of 2018, the first ARS 2,400 of gross compensation will not be subject to employer's pension contributions. By January 2022, this amount will reach ARS 12,000, and will be updated in accordance with the consumer price index and in line with inflation.

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

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 depending on a firm's size and its main activity.

In this regard, employer's contributions to the pension system will be unified at 19.5%, (from January 2022 onwards) replacing the previous 17% and 21% rates. In practice, this will increase the pension contributions for companies whose main activity consists of primary and secondary production (currently 17%) and it will decrease them for companies engaged in services (currently 21%). This change will be gradually implemented according to the following table:

Employer's contributions	Until 31/12/2018	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	20.70%	20.40%	20.10%	18.80%	19.50%
All activities, except for commercial and service invoicing more than 48 million pesos	17.50%	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 head count, will benefit from a reduction in social security contributions per employee incorporated to the payroll for a period of 24 months.

Special regimes are explained below:

a) 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 a certain amount that will be established by the appropriate 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 in the case of hiring full-time employees for an undetermined 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 1, 2022 (according to Law 27,430, Section 169).

b) Promotion Regime for the Recruitment of Registered Employment

In the case of employers that hire up to 15 workers, for the new employees representing an increase in the company's payroll, they will be 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, 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 in a reduction of 50% in the above mentioned 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 termination without cause of an employee under the general social security regime. This law was regulated by Decree No. 1714/2014 and came into force on August 1, 2014. The term to benefit from this regime has been set to 12 months since effective date (i.e. from August 2014 to July 2015). However, it was extended from August 2015 to July 2016 by means of Decree No. 1801/2015, from August 2016 to July 2017 by means of Decree No. 946/2016, and from August 2017 to July 2018 by means of Decree No. 638/2017. It should be noted that only the Argentine Executive Branch is empowered to extend this regime for subsequent periods. These benefits will be gradually eliminated during the next 2 years (Tax reform).

SELF-EMPLOYED INDIVIDUALS

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 established based on the worker's activity and a 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 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 1, 2018)¹⁰, depending on the annual gross revenues. Both directors of corporations and legal representatives shall contribute to the Social Security System as self-employed individuals, even if 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 the case of certain multinational and local leading companies, in Argentina it is not customary for companies to provide additional pension benefits to employees over and above the official pension payment.

Medical care benefits cover most of the employee's needs satisfactorily. In contrast, pension payments at retirement are very small, which has contributed to the increasing development of private pension plans.

Some measures have been taken in order to attenuate the effect of pension payments at retirement. Individuals older than 65 years are entitled to a guaranteed monthly payment of ARS 8,637.13¹¹.

> Except for the case of certain multinational and local leading companies, in Argentina it is not customary for companies to provide additional pension benefits to employees over and above the official pension payment.

¹⁰ Since September 1, 2018. This amount is updated every 3 months (March, June, September and December).

¹¹ This amount is updated every 3 months (March, June, September and December).

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 should apply is to be analyzed on a case-by-case basis, since many of the abovementioned agreements were signed prior to the amendments introduced to the pension system in force in each country.

OTHER EMPLOYEE BENEFITS

Argentine labor laws are distinguished for the protection they provide to employees. Regulations cover labor contracts, methods of wage and salary payment, women and minors in employment, and many other matters. Some of the main regulations are detailed below.

ANNUAL LEGAL BONUS

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

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 dependants.

LIFE INSURANCE

It is mandatory for employers to take out insurance coverage of ARS 55,000 per employee (as from March 2018).

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 from 2 to 12 months on the basis of 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. Unemployed individuals 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 work 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 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 9.500 as from January 2018 for monthly salaries, and ARS 47.50 for hourly salaries. From July 2018, it will be increased to ARS 10.000 for monthly salaries and ARS 50.00 for hourly salaries.

Actual salaries, however, are higher.

Collective bargaining agreements establish more realistic minimum salary tables, which are 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 into on a trial basis for the first three months.

During the probationary period either party may terminate the relationship by notifying the other party without 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 generated by the normal course of business or exploitation 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 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 taking into account the provisions of the Employment Contract Law on a case-by-case basis.



FIXED TERM CONTRACTS



TEMPORARY EMPLOYMENT CONTRACT



OTHER

a) Fixed Term Contracts

These contracts require that the term 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.

Use of successive contracts exceeding the above term turns them into contracts for unspecified term.

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 for ordinary termination by the employer without just cause set forth in the general regime.

Dismissal without just cause before the end of the contract term entitles the worker to claim damages in addition to the compensation for contract termination.

b) Temporary Employment Contract

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 demand, 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 into (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.

c) 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 as internship pay 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, no particular employee functions are 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 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 employer-provided automobiles, housing and bonuses.

The social security, labor and tax treatment to be given to the abovementioned 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 (IN SPANISH, REPSAL) – LAW 26,940

The REPSAL was created by the Ministry of Labor, Employment and Social Security (in Spanish, MTEySS). Such Registry will include the final sanctions imposed by the MTEySS, the AFIP, the provincial authorities as well as the authorities of the city of Buenos Aires, the National Registry of Agribusiness Workers (in Spanish, RENATEA), the Workers Compensation Insurance Regulator (in Spanish, SRT) 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 will be a public, fee-free registry that will be 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 when the fine is paid and on when 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 as long as they remain registered in the REPSAL for recidivism.

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





5. ACCOUNTING AND AUDITING STANDARDS

FINANCIAL REPORTING

Based on General Law of Business Associations and IGJ (*Inspección General de Justicia*, the Argentine Regulatory Agency of Business Associations) regulations, Stock corporations and limited liability companies with capital equal to or exceeding ARS 50M are required to prepare annual financial statements, including balance sheet, income and cash flow statements.

Furthermore, parent companies are required to present consolidated financial statements in addition to their stand-alone statements. The basic accounting and reporting standards are specifically defined and regulated by statutory provisions.

The organization, operation and winding-up of business associations is regulated by General Business Associations Law No. 19,550 and other guidelines issued by different oversight agencies.

The two main requirements are as follows:

- a) Present audited annual financial statements (prepared by an external auditor).
- b) Stock corporations and limited liability partnerships without supervisory boards included in Section 299 of the General Business Associations Law are required to have an individual statutory auditor or, in some cases, a statutory audit committee. This role is held by accountants and/or lawyers (Argentine Business Associations Law, Section 284). Companies that are listed on the stock exchange should have a surveillance committee.

The oversight agencies mentioned in the table below require that financial statements be presented together with an external auditor's report issued by an independent public accountant.

Oversight authority	Company types to control
CNV (Argentine securities commission)	Companies with listed securities
BCRA (Central Bank of Argentina)	Financial institutions
SSN (Argentine insurance regulatory agency)	Insurance companies
SART (Argentine regulatory agency of workers compensation insurance companies)	Workers compensation insurance companies
IGJ (Argentine regulatory agency of business associations) and similar provincial authorities	Stock corporations, foreign branches, non-profit organizations and foundations

The deadline to submit annual financial statements varies depending on the oversight agency in question. Deadlines are set as a given number of days following year end:

Company	Deadline after year end (or term)
Companies with listed securities	70 days
Financial institutions	20th day of the second month following year-end
Insurance companies	45 days
Workers compensation insurance companies	45 days
Foreign branches	120 days
Stock corporations subject to the IGJ's control:	
Falling under Section 299, Law No. 19,550	15 business days prior to the Shareholders' Meeting (1)
Other companies	15 business days subsequent to the Shareholders' Meeting (1) (2)
Non-profit organizations	15 business days prior to the Members' Meeting
Foundations	15 business days after the governing body's meeting

(1) The meeting must be called within four months following year end.

(2) The financial statements are required to be presented to the IGJ electronically, generated by the application program provided by the IGJ, along with a sworn statement by the Company and the certification of an independent public accountant.

- According to Section 66 of the General Business Associations Law, the management of stock corporations and limited liability companies are required to draft a shareholder letter on the date of issuance of the financial statements to provide the appropriate context and explain company results and projections.
- Under IGJ regulations, all stock corporations and limited liability companies with equity equal to or exceeding ARS 50 M “must include certain information in the shareholders letter apart from the information set forth in General Business Associations Law regarding the company’s organization structure, its activities and purposes and prospects for the following fiscal year.”
- Under certain conditions, stock corporations not included in Section 299 of General Business Associations Law (see above) and limited liability companies with a capital equal to or exceeding ARS 50 M the regular meeting may be exempt from preparing said Shareholder Letters, provided no third-parties have expressed interest in such information.
- Companies publicly listing their securities should file quarterly financial statements and a Board of Directors’ informative overview, which are published on the CNV’s website. This information should be presented within 42 days following period end. In addition, the company’s subsidiaries and affiliates must also present their quarterly financial statements within the same timeframe.
- Financial institutions, insurance companies, pension fund administrators and workers’ compensation insurance companies are required to present quarterly financial statements to their respective oversight agencies. Such periods start a certain number of days after the beginning of the calendar year:

Company	Deadline for presentation of quarterly financial statements
Financial institutions	20th day of the second month following year-end
Insurance companies	45 days
Workers compensation insurance companies	45 days

> Dividends may be distributed only based on liquid and realized income, resulting from a related balance sheet as of the end of the year, prepared in conformity with the law and the company’s bylaws.

In all cases, quarterly financial statements and the Board of Directors’ informative overview must be accompanied by a review report issued by a public accountant in conformity with audit standards in effect.

According to the Argentine General Business Associations Law, financial statements should be prepared in constant currency. Section 3.6.2 describes the Argentine professional accounting standards that should be applied when stating the financial statements in constant currency.

Dividends may be distributed only based on liquid and realized income, resulting from a related balance sheet as of the end of the year, prepared in conformity with the law and the company’s bylaws. Companies included in Section 299 of General Business Associations Law may distribute dividends in advance or temporarily, based on special-purpose financial statements, subject to the unlimited joint and several liabilities of directors and statutory auditors.

IGJ regulations establish the following requirements: (a) the capitalization of capital adjustments prior to or simultaneously with the effective capital increase, and (b) the distribution of unappropriated retained earnings (whether through cash or share dividends or the creation of reserves). Additionally, requirements were established to book irrevocable capital contributions on account of future share subscriptions in addition to those established in professional accounting standards, mainly that they should be paid in cash and that their capitalization is mandatory and shall not extend beyond the fiscal year in which it was accepted, computed as from the company’s management acceptance of the contribution, unless that on year-end the Shareholders’ meeting is to be held before the term elapses, in which case the decision on the abovementioned capitalization should be adopted on that same opportunity.

PROFESSIONAL ACCOUNTING STANDARDS

General aspects

Argentina is a Federal Republic made up of 23 provinces plus the Autonomous City of Buenos Aires. All jurisdictions have professional councils in charge of issuing professional accounting and audit standards. The standards issued by each council are mandatory only for the professionals registered within the respective jurisdiction.

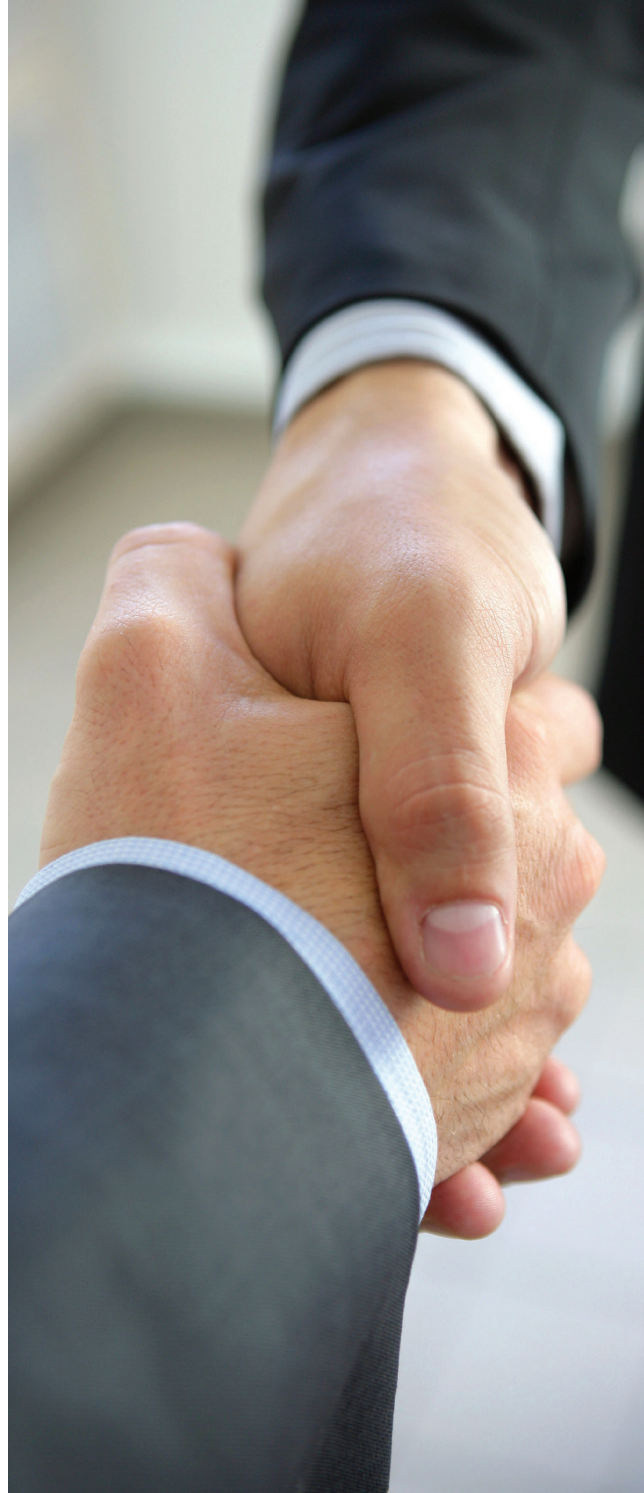
All professional councils in Argentina are members of FACPCE (Argentine Federation of Professional Councils in Economic Sciences), an organization in charge of coordinating efforts to issue professional accounting and audit standards. The FACPCE issues Technical Resolutions (TR) containing general audit and accounting standards.

In 1998, the FACPCE's governing board decided to implement a plan to adapt Argentine professional accounting standards to the IAS (International Accounting Standards) proposed by the IASC (International Accounting Standards Committee).

This plan included:

- Defining a general framework for Argentine professional accounting standards;
- Adopting benchmarks or acceptable alternatives contained in certain IAS selected for the first stage of the harmonization plan. These should not be significantly inconsistent with the general framework. The purpose and final result of the original plan was not a full merge of the two, but rather an effort of "assimilation" to the international accounting standards.

In 2009, FACPCE issued TR 26 establishing that (a) certain listed entities are required to present their financial statements for fiscal years beginning on or after January 1, 2012 and the interim periods related to those fiscal years in compliance with the IFRS (International Financial Reporting Standards) as issued by IASB (International Accounting Standards Board), and (b) that all other companies may prepare their financial statements in accordance with the IFRS or the Argentine professional accounting standards included in technical resolutions other than TR 26 and its supplementary resolutions, as indicated in the following section.



IFRS adoption by TR No 26, as amended

IFRS (International Financial Reporting Standards) adoption in Argentina has the following characteristics:

1. Scope of mandatory application

- Application of the IFRS is mandatory in financial statements of entities included in the public offering system (Law 17,811). Some exemptions apply, for instance, entities authorized by the CNV to maintain the accounting methods of a different regulating body, such as the companies included in Financial Institutions Law, insurance companies, cooperatives and civil associations.
- Since January 1, 2016, the IFRS mandatory adoption was extended, by means of TR 43, to the separate financial statements of parent companies. Until the issuance of TR 43, IFRS were applied to their consolidated financial statements on an overall basis. However, in those separate financial statements, the fair value and cost alternatives established in IAS 27 cannot be used to measure equity interests in subsidiaries, affiliates and joint ventures, as the FACPCE requires the mandatory adoption of the equity method, which was incorporated by the IASB as a third measurement alternative only after the IAS 27 review in 2014.
- Note that, for controlling entities, their separate financial statements shall be considered for all statutory purposes in Argentina. Consolidated financial statements are considered supplementary information.

2. Optional application of IASB Standards

- All entities that are not required to apply IFRS have the option to apply IFRS or IFRS for SMEs according to FACPCE TRs 26 and 29. They should follow the standards as issued by the IASB and separate financial statements have the same restrictions mentioned in the previous section.
- The IFRS for SMEs cannot be used by SMEs that are expressly excluded from their application by the IASB. This includes entities whose debt or equity instruments are traded in a public market or that are in the process of issuing these instruments, or when one of its main activities is to hold assets as a trustee for a vast group of third parties.
- Nevertheless, the application of IFRS or IFRS for SMEs has to be approved by their respective corporate bodies.

Argentine professional accounting standards different from TR 26

Measuring methods

The accounting measurements used depend on the nature of the assets and liabilities:

FOR ASSETS	FOR LIABILITIES
<ul style="list-style-type: none"> • HISTORICAL COST • CURRENT VALUES • REPLACEMENT COST • NET REALIZATION VALUE • NET REALIZATION VALUE BASED ON DEGREE OF PROGRESS • FAIR VALUE • DISCOUNTED AMOUNT (PRESENT VALUE) OF THE CASH FLOWS TO BE COLLECTED • PERCENTAGE OF EQUITY INTEREST ON THE ACCOUNTING MEASUREMENTS OF ASSETS OR EQUITY 	<ul style="list-style-type: none"> • ORIGINAL AMOUNT • SETTLEMENT COST • DISCOUNTED AMOUNT (PRESENT VALUE) OF THE CASH FLOWS TO BE DISBURSED • PERCENTAGE OF EQUITY INTEREST ON THE ACCOUNTING MEASUREMENTS OF LIABILITIES

The FACPCE has established that, in the case there is no defined accounting treatment for a specific issue, the following standards should be applied:

- the provisions established for similar or related issues;
- general standards on accounting measurement;
- the concepts included in the general framework of such standards.

If the issue cannot be resolved or the resolution is not apparent based on the primary sources mentioned, the entity's Management may use the following supplementary sources:

- the IFRSs approved and issued by the IASB;
- the most recent pronouncements from other issuers using a similar general framework for the issuance of accounting standards;
- accepted practices in the various industries or sectors;
- accounting case law.

These methods can be used if they do not contradict the primary sources and until the FACPCE issues a specific standard on the matter.

Unit of measurement (IFRS and Argentine professional accounting standards)

Both the IASB in IAS 29 and the FACPCE (Argentine Federation of Professional Councils in Economic Sciences) in Technical Resolution Nos. 6 and 17 consider that the existence of an inflation rate accumulated over a three-year period approaching or exceeding 100%, calculated on the basis of a general price index that reflects changes in general purchasing power, is a key indicator to restate the amounts in the financial statements. The three-year cumulative inflation thus measured maintained in 2017 a downward trend as compared to 2016, and the three-year cumulative inflation rate is below 100%. However, due to several macroeconomic factors, this trend was reversed in the first half of 2018 and the three-year cumulative inflation rate as of June 30, 2018, exceeds 100%; the new targets reviewed by the Argentine government and other available projections indicate that the trend will not be reversed in the short term. In this scenario, the annual or interim financial statements beginning on or after July 1, 2018, should be restated for the changes in the general purchasing power of the local currency as if the economy had always been hyperinflationary.

At present, certain Argentine corporate enforcement entities will not accept the presentation of inflation-adjusted financial statements by the entities under their control, considering the provisions under Decree 664/2003, which prohibit such adjustment. The annulment of this process is in process.

> Certain Argentine corporate enforcement entities will not accept the presentation of inflation-adjusted financial statements by the entities under their control, considering the provisions under Decree 664/2003, which prohibit such adjustment.

STATUTORY ACCOUNTING STANDARDS

Legal standards regarding accounting issues may only be issued by the Argentine government and the provincial governments by law, decree or resolutions of government agencies to whom such special legislative powers have been delegated on the issues in question.

The following Argentine government agencies are empowered to issue legal regulations regarding accounting matters: CNV, BCRA, SSN (Argentine insurance regulatory agency), SART (Argentine regulatory agency of workers compensation insurance companies), Argentine Cooperative and Mutual Action Institute (Instituto Nacional de Acción Cooperativa y Mutual), controlling cooperatives and mutual aid associations, INSS (Argentine Social Services Institute), controlling statutory healthcare organizations and similar entities & IGJ (Argentine regulatory agency of business associations).

Some of these government entities automatically incorporate the professional accounting standards approved by the FACPCE and adopted by the Professional Council in Economic Sciences of the related jurisdiction as statutory accounting standards.

Other government entities issue specific resolutions whereby they adopt the professional accounting standards in part or in full. Finally, there are government entities that issue their own statutory accounting standards, which may contain significant differences with professional accounting standards, such as the SSN.

In accordance with the Argentine professional accounting standards that companies that fall outside the scope of the mandatory application of IFRS may choose to apply IFRS or IFRS for SMEs, depending on the type of entity. However, the effective exercise of this option does not depend solely on the decision of the issuer of the financial statements, but on the authorization of the corporate oversight agencies.

In consequence, some institutions have taken the following measures:

- i) the BCRA has prepared a roadmap for converging with IFRS for the fiscal year beginning January 1, 2018;
- ii) the SSN has not yet implemented a formal process for applying IFRS but has communicated that its intention is that they apply in 2022 and;
- iii) the IGJ, which controls stock corporations located in Buenos Aires City, supports the application of IFRSs and IFRS for SMEs.

AUDIT STANDARDS

FACPCE's TR 37, which replaces TR 7, describes standards related to performing audits and limited reviews of financial statements of entities.

In addition, some enforcement agencies issue mandatory auditing and review standards, such as the BCRA or the Argentine regulatory agency of worker's compensation insurance companies. These include, for instance, a list of minimum audit procedures applicable to the examination of the annual and quarterly financial statements of the entities under their control.

In November 2012, the FACPCE issued the following resolutions for audits and limited reviews of financial statements which are required to be prepared under IFRS:

- a) TR 32 adopts and requires the mandatory application of the ISA (International Standards on Auditing) issued by the IAASB (International Auditing and Assurance Standards Board) of IFAC (International Federation of Accountants) for audits of financial statements which are required to be prepared under IFRS, effective as from fiscal years beginning on or after January 1, 2014.
- b) TR 33 adopts and requires the mandatory application of IFAC International Standard on Review Engagements (ISRE) 2410 related to the review of interim financial statements which are required to be prepared under IFRS, effective as from interim periods related to fiscal years beginning on or after January 1, 2014.
- c) TR 34 adopts and requires the mandatory application of the International Standards on Quality Control and the Standards on Independence issued by the IFAC for all auditors who report having provided professional services in which the regulations contained in TR Nos. 32 and 33 were applied.
- d) TR 32 and TR 33 may be applied voluntarily in cases other than those indicated in (a) and (b) above and, in such cases, application of TR 34 is mandatory.

New ISAs or amendments to existing ISAs are adopted as and when issued by FACPCE through circular letters.

In January 2015, IAASB amended its standards on the form and contents of the auditor's report and issued a new standard (ISA 701) requiring the auditor to communicate in its auditor's report to general purpose financial statements of listed companies the key audit matters identified and the treatment awarded to them. This communication requirement set forth by IAASB applies for fiscal periods ended on or after December 15, 2016. After assessing the issue, the FACP has determined that the implementation of these changes is transcendent in nature and that the expertise of auditors, Auditing Committees and Boards of Directors of listed companies is not homogeneous and, therefore, additional time is needed to analyze the issue and allow for further training and discussion for a better understanding of the changes by all stakeholders. To such effect the FACPCE decided that the application of the aforementioned amendments will be mandatory as from the audit on financial statements for years ended on or after December 15, 2019.

FOR MORE INFORMATION, PLEASE VISIT www.investandtrade.org.ar
OR CONTACT US AT welcome@invest.org.ar.



About the Argentine Investment and Trade Promotion Agency

We **work together** with companies that want to **grow** in Argentina, providing consultancy, information and facilitation services.

We help investors and exporters understand the **opportunities**, identify the **obstacles** faced when investing and exporting, and **efficiently navigate** the investment and export processes.

The **Investment Promotion** team **promotes** Argentina as an investment destination, highlighting specific opportunities in key sectors; **provides information** on the country's economic situation and regulatory framework; and **assists** investors throughout the entire investment process, from finding the opportunities to executing the projects.

The **Trade Promotion** team develops and implements a **comprehensive program** to help Argentine SMEs **export and expand their business internationally**. We provide **consulting** services, **education and training**, assistance to **streamline processes**, trade **information** and **promotion** activities (including international fairs, business roundtables, trade missions and positioning events).

Contact

Tucumán 1 12º Fl. (C1049AAA)
Paraguay 864 (C1057AAL)
Ciudad Autónoma de Buenos Aires, República Argentina
Phone: + 54 11 5199 2263
www.investandtrade.org.ar/en

This document has been jointly prepared with the assistance of:

Deloitte.



This publication contains general information only, the Argentina Investment & Trade Promotion Agency, Deloitte, Ernst & Young, KPMG, PricewaterhouseCoopers, or any of their member firms, or their related entities are not, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. The Agency or any of the participating firms shall not be responsible for any loss whatsoever sustained by any person who relies on this publication.