



COMPLETE GUIDE TO THE ARGENTINA'S TAX REFORM

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Complete Guide to the Tax Aspects of Law No. 27,742 - "Bases and Starting Point for the Freedom of the Argentine People" ("Bases Law") and Law No. 27,743 - "Palliative and Relevant Tax Measures" - ("Fiscal Package"), and supplementary regulations .

Introduction: Find out how these changes may significantly impact business / corporate decisions of entities incorporated in or operating within Argentina. This guide contains the main amendments and innovations introduced by the recently published Laws and relevant regulations.

Featured Content:

1. Law No. 27,742 - "Bases and Starting Point for the Freedom of the Argentine People" ("Bases Law") is a comprehensive Act that entails tax and non-tax related matters.

From a tax standpoint, the most important aspects of the Law are:

i. Declaration of a 1-year administrative, economic, financial, and energetic public emergency

ii. Large Investments Incentives Regime (RIGI): This Promotional Regime aims at promoting national and foreign large investments in Argentina towards domestic economic development, developing and strengthening the competitiveness of several economic sectors, augmenting exports concerning goods and services falling within this Regime, promoting employment creation, generating predictability and stability for the large investment and competitive conditions to attract them.

The RIGI shall apply to Large Investments in infrastructure, mining, technology, energy, oil & gas, steelmaking, forestry industry, and tourism that comply with the requirements established by Law. The investment project must (i) entail a minimum investment of US\$200 million in computable assets ("Committed Investment"), (ii) be completed within the agreed term and at least 40% in the first two years; and (iii) be of a long-term nature.

Further, it is required that at least 20% of the proposed investment be made in the acquisition of local goods and services to the extent that they are available at market prices and quality. If the Committed Investment exceeds US\$ 1,000 million per stage, the Project may qualify as an "EELP" – "Strategic Long-Term Export" -. The term for adhering to the RIGI shall be 2 years as of its effective date. The Executive Power is entitled to grant a 1-year extension as of the end of the said 2 years. Applicants shall be those who are considered "Single Project Vehicles" ("SPV") owners of one or more stages of a project that qualify as Large Investment. The SPV must have as its sole and exclusive purpose to carry out large investments within the RIGI (i.e., they must not carry out activities or own assets not connected with the relevant project but for the temporary investment of its labor capital concerning their funds' management).

Benefits:

a. 30-year tax, customs, foreign exchange, and legal stability. In the case of EELP Projects, the stability could be increased. The stability prevents the benefits granted from being impacted by repeals or by of creating more burdensome or restrictive legislation than the ones included in this regime.

b. The tax incentives granted by the RIGI shall not generate any effects if they may result in a transfer of profits to foreign tax authorities by application of a Minimum Global Tax – either by a rule of income inclusion, payments subject to low tax rates, or any similar measure – implemented or aimed at implementing the OECD Pillar 2 within the BEPS (Base Erosion and Profits Shifting) Inclusive Framework.

c. National Taxes Benefits: (1) Income Tax Rate reduction to 25%; (2) The net income of individuals, undivided estates, and foreign beneficiaries concerning dividend and profits distributions shall be taxed at 7%. However, after 7 years as of the adhesion to the RIGI date, the rate applicable to dividends and profits shall be reduced to 3.5%; (3) Accelerated depreciation of certain assets: (i) in the case of depreciable assets: depreciation shall be able to be made in 2 annual, equal, and consecutive installments; (ii) in the case of investments in mines, quarries, and forest, and analogous assets, or infrastructure works, the depreciation shall be able to be made in the number of annual, equal, and consecutive installments arising from considering the useful life reduced in 60% of the estimated one; (4) Tax Losses: shall be updated by inflation (IPIM”) and shall not have a time limit for using them and/or for carrying them forward to subsequent tax periods. After 5 years without being absorbed by taxable income, they shall be able to be transferred; (5) Interest and Exchange Difference Deductions: the limitations concerning these deductions with related or not, resident or not creditors shall not apply during the first 5 years as of the adhesion to the RIGI; (6) Benefits for EELPs: i) for the international transportation services concerning exports and for services included in engineering contracts, construction acquisition and management, Income Tax Withholdings shall not be made to foreign beneficiaries. Additionally, in the case of payment to foreign beneficiaries not included above, a 30% taxable income presumption shall exist - as long as there is not a lower one - and no grossing-up shall apply when the burden of the tax is on the SPV; (7) Value Added Tax: the SPV may pay the VAT - including collections - to their providers or the Tax Authorities through the delivery of Tax Credit Certificates. Such certificates shall not generate a tax credit for the SPV and shall receive the same treatment as the free available balance for the provider; (8) Tax on Debits and Credits in Local Bank Accounts shall be 100% computed as payment on account of Income Tax; (9) Thin capitalization rules shall not apply during the first 5 years; (10) Possibility of keeping the accounting in dollars; (11) Easing of the requirements for tax-free reorganizations carried out within the framework of the RIGI.

d. Municipal and provincial taxes: (1) Exemption from local taxes on transactions, transfers, sales, leases, rentals, services, or any other economic relationship between the benefit holder and its members; (2) Tax stability; (3) Value of retributive rates for services adjusted to the specific cost of the service received.

e. Import and export duties: (1) Non-restrictions on the import and export of goods for the development of the Project; (2) Import for consumption of merchandise, temporary imports made by the SPV adhered to the RIGI that constitute capital assets, spare parts, components, parts, shall be exempt from Import Duties, the Statistical and Destination Verification Tax, and from all national and/or local tax perceptions, collections, advance payment, or withholding regimes. This exemption may also apply to the import of goods made by SPV’s goods and services providers - which must first register before a special registry -; (3) Exports for consumption made by the SPV shall be exempt from Export Duties after three years from the date of adhesion to the RIGI or two years in the case of Projects declared as EELP.

f. Foreign exchange benefits concerning income from exports: Export proceeds concerning products made by the SPV shall be exempt from the obligation of entering and/or negotiating and liquidation of the funds in the exchange free market (“MLC”), and such funds shall be freely available to be held abroad, and/or used by the SPV for any purpose: 20% after 2 years after the SPV was launched; 40% after 3 years after the SPV was launched; and 100% after 4 years after the SPV was

launched In the case of EELP Projects, the terms are reduced in 1 year.

f. Funding: (i) There should be no obligation to repay external financing with liquid external assets of the Project; (ii) No prior authorization is required for the payment of loan principal, dividends, and/or profits to non-residents through the foreign exchange market, (iii) exemption from the obligation to liquidate funds from local or external financing related to the Project.

iii. Labor Modernization – Amendments to the Labor Contract Law No. 24,013:

- Tax and Social Security Amnesty: In the case of misclassified contractors or employees whose compensation has not been fully recorded, employers are entitled to apply for an amnesty at reduced penalties to regularize the situation.
- Multipliers concerning statutory severance are repealed.
- Maternity Leave: 90-day maternity leave, where the employees are entitled to choose to reduce prior days up to at least 10, adding the remaining days to the leave to be used after birthdate. Pregnant employees with stability in employment during pregnancy.
- Discriminatory Dismissals: Extra severance of between 50% and 100% of the statutory severance. Employment reinstatement is no longer available.
- Termination for Cause: It will classify as just cause circumstances where, during a strike or industrial action, the workers (i) block or occupy in an unauthorized manner the employer's premises; (ii) threaten or intimidate other workers not participating in the strike affecting their freedom to work; (iii) restrict the access of persons or goods to the premises of the company; or (iv) damage company's or third parties' property in the premises of the company.
- Probationary/Trial Period: The Indefinite-Period Labor Contract is considered celebrated on a probationary period for the first 6 months - Collective Labor Agreements may extend this period; up to 8 months in companies with 6-100 workers and up to 1 year in entities with up to 5 employees.
- Employees hired by contractors or intermediaries are entitled to request from the main company for which those contractors and intermediaries provide services or execute works to withhold from what they must receive and give as a payment on account and order of their employer the outstanding amounts concerning remunerations, severances, or other rights in cash arising from the labor relationship.
- Possibility of replacing severance payment with insurance, through Collective Labor Agreements, or Unemployment fund.
- Collaborators: The possibility for independent workers to hire collaborators under an autonomous non-labor relationship.
- Outsourced workers shall be considered direct employees of the company that records employment, even if they have been hired to provide services for a third party. The user company will be jointly and severally liable for the labor and social security obligations but will no longer be considered the direct employer.
- Employment regulations shall not apply to individuals engaged through services agreements, agency contracts, and other types of contracts included in the National Civil and Commercial

Code, especially for professional services, provided that payments are made through banking systems.

iii. Tax Measures for an Equative and Qualitative Adjustment – Excise Taxes Law Amendment:

a. Amendments to the Tobacco Chapter: (i) specifies that when the retail price informed by taxpayers does not constitute an appropriate basis for determining the taxable base, the price determined by the Federal Tax Authorities shall be used (i.e., when that reported price is 20% below the price arising from the survey mentioned by the Law unless taxpayers duly verify that the reported retail price is a market price); (ii) nationally produced cigarettes as well as imported ones shall be taxed at a 73% rate over the retail sales price, including taxes except Value Added Tax. Also, they must be sold according to the packaging regulations to be issued by the Executive Branch; (iii) the minimum taxable amount to be paid concerning cigars and cigarillos shall be updated quarterly according to the Consumers Price Index accumulated as of January 2018, inclusively. However, the Executive Branch shall be entitled to increase in up to 25% or decrease of such limit provided that the tax sustainability is not committed/compromised in more than 10%; (iv) the minimum taxable amount to be paid concerning tobacco products shall also be updated quarterly in line with (iii) above; (v) establishes penalties concerning failure to comply with the obligation of transporting tobacco without the corresponding supporting documents.

From a non-tax related standpoint, this Law addresses:

i. Amendments to the Administrative Procedures Law No.19,549, concerning (i)

Greater legal certainty and legal protection of rights; (ii) Strengthening of the stability of the administrative act; (iii) Positive silence in proceedings and protection for late payment; (iv) Electronic de facto actions; (v) Repeal of the Requirement of Prior Payment; (vi) Limitation of reorganization: Retroactive reorganization of administrative acts is allowed only when it favors the individual without causing prejudice to third parties; (vi) Expansion of Scope of Application; and (vii) Promoting procedural efficiency

ii. Amendments to the Concession Law No. 17,520 aiming to modernize it, broaden its scope, and strengthen the rights of private companies: (1) Promotion of private initiative, including the possibility of filing private initiatives for the execution of concession agreements in sectors of public interest and the possibility that any person may submit to the Executive Power private initiatives for the execution of public works, infrastructure and services through the concession system – with private financing; (2) Adhesion to the RIGI: concession holders that are provided in competition with other concessionaires, operators or providers at the local or regional level, may join the RIGI upon compliance with specific requirements; (3) Inclusion of utilities and public infrastructure; (4) National and international tenders are expressly added as a method of contractor selection, Further, it includes the possibility of incorporating a “special purpose” company to hold a concession; (5) Greater legal protection of contractor’s rights (Currency of payment and indexation; Economic-financial equation; A total or partial assignment of the contract to a third party is permitted if the third party meets similar requirements as the assignor and at least 20% of the original term of the contract or the committed investment has elapsed, whichever occurs first; Termination of the contract regulations; Prevention of litigation with the State through Facilitation of transactional agreements and Alternative Dispute Resolution Methods and Public Contract Dispute Regulations).

iii. Amendments to Public Employment Law No. 25,164.

iv. Amendments to the Hydrocarbons Legal Regime – Law No. 17,319 - to the Natural Gas

Regime – Law No. 24,076 (i.e., prohibition of price control; exports and imports of hydrocarbons regime; possibility of converting of areas in non-conventional until December 31, 2028; term of concessions regulations; the surface fee (canon) shall be based on oil barrels instead of pesos; the royalties' base shall be of 15% but companies are entitled to offer a higher or lower percentage regardless of the stage of the project; tenders regulations; seismic permits regulations amendment, regulations concerning areas held by provincial owned companies; new regime for transportation, treatment and storage of oil & gas; new regime for natural gas underground storage; natural gas import and export regulations amendment; natural gas concessions durations amendment.

v. Empowerment of the Executive Branch to elaborate, with the agreement of the Argentine Provinces, a harmonized environmental legislation with the main objective of applying the environmental management international best practices concerning the exploration, exploitation and/or transportation of hydrocarbons aiming at carrying out such activity with an adequate environmental care.

vi. Public Companies subjection to Privatization and Administrative Reorganization concerning the comprehensive State Reform.

2. Law No. 27,743 - “Palliative and Relevant Tax Measures” - (“Fiscal Package”)

2.1. Repeal of the Tax on the Real Estate Transfers Made by Individuals and Undivided Estates/ Successions of Title VII of Law No. 23,905.

2.2 A New Tax, Customs, and Social Security Obligations Regularization Plan, with the following characteristics:

a. Tax, Customs, and Social Security outstanding amounts due by March 31st, 2024, inclusively as well as for tax, customs, and social security infractions - related or not to such outstanding amounts - incurred until such date. This also includes amounts undergoing administrative discussions. The following concepts shall also be included in this plan: (i) Extraordinary contributions of Law No. 27,605 established during the pandemic; (ii) Withholding and Collection Agents' Obligations that omitted to withhold or collect, or not paid after being withheld or collected after the relevant deadline; (iii) Obligations due by March 31st, 2024, inclusively, included payment plans that may be expired by said date; (iv) any other fiscal obligation not expressly stated); (v) Customs Infractions (Customs Code) that are not determined by reference to the imports of exports taxes, except for minor smuggling infractions.

b. Adhesion can be made within 150 calendar days of the date in which the regulations to be issued by the Federal Tax Authorities are effective.

c. Benefits Depending on the Adhesion Date and the Payment Modality:

a) Adhesion within the first 30 calendar days as of the date in which applicable regulations to be issued are effective: 70% compensatory and punitive interest forgiveness upon a single payment or in up to 3 monthly installments.

b) Adhesion between day 31 and up to the 60 calendar days as of the date in which applicable regulations to be issued are effective: 60% compensatory and punitive interest forgiveness upon a single payment or in up to 3 monthly installments.

b) Adhesion between day 61 and up to the 90 calendar days as of the date in which applicable

regulations to be issued are effective: 50% compensatory and punitive interest forgiveness upon a single payment or in up to 3 monthly installments.

b) Adhesion within 90 calendar days as of the date in which applicable regulations to be issued are effective: 40% compensatory and punitive interest forgiveness through a payment plan to be established by the Federal Tax Authorities.

e) Adhesion as of day 91 as of the date in which applicable regulations to be issued are effective: 20% compensatory and punitive interest forgiveness, payment in installments according to a payment plan to be established by the Federal Tax Authorities.

d) Type of Plans Depending on the Taxpayer:

i. Individuals - except for small taxpayers -: payment on account of 20% of the regularized amounts and the remaining in up to 60 monthly installments with a financing interest calculated based on the rate established by the Argentine National Bank for commercial discounts.

ii. Micro and Small Entities: payment on account of 15% of the regularized amounts and the remaining in up to 84 monthly installments with a financing interest calculated based on the rate established by the Argentine National Bank for commercial discounts.

iii. Medium Entities: payment on account of 20% of the regularized amounts and the remaining in up to 48 monthly installments with a financing interest calculated based on the rate established by the Argentine National Bank for commercial discounts.

iv. Remaining Taxpayers: payment on account of 25% of the regularized amounts and the remaining in up to 36 monthly installments with a financing interest calculated based on the rate established by the Argentine National Bank for commercial discounts.

e) 100% Penalties Forgiveness.

2.3. A New Assets Disclosure and Regularization Regime aimed at encouraging Argentines who are/were Argentine tax residents by December 31st, 2023 to disclose, report, and regularize assets held in Argentina and abroad - available until April 31st, 2025 - extendable to July 31st, 2025.

The assets to be disclosed can be tangible and intangible, located in Argentina and abroad, and different regularization rules apply depending on the nature of each of them.

Applicants shall first adhere to this Regime and then file the corresponding Tax Return, according to the formalities to be established in soon-to-come regulations.

The Law clarifies that certain holdings abroad, including cash or securities held in jurisdictions identified by the FATF (Financial Action Task Force) as high risk or subject to enhanced surveillance, are specifically excluded from the regime.

A special regularization tax is established on the total value of the regularized assets, the rate of which may be 5%, 10%, or 15% depending on the stage in which the assets are regularized ("Special Regularization Tax"). Also, different valuation rules are determined according to the nature of the assets. The payment of this Special Regularization Tax must be made in USD unless expressly modified by applicable regulations.

Benefits:

- Release from civil, criminal, tax, exchange, customs, and administrative actions.
- Release from the payment of taxes and accessories that would have had to be paid concerning the assets being disclosed.
- Released from the Official Assessment of Article 18 of the Tax Procedures Law.

Among the excluded parties are certain public officials and their relatives. Also excluded are, among others, persons who have been declared bankrupt and whose companies have not been allowed to continue operating; convicted persons -with a final conviction in the second instance- and legal entities in which, as the case may be, their partners, administrators, directors, trustees, members of the supervisory board, board members or those holding equivalent positions therein are convicted - with a confirmed conviction in the second instance- for crimes under the Customs Code and the Tax Criminal Regime or for common crimes, which are connected with the noncompliance of tax obligations, etc.

2.4. Individual and Undivided Estates/Successions Income Tax Law Amendments

a. The Cедular Tax on Higher Income from Dependent Labor, Pensions, and Privilege Pensions established by Law No. 27,725 is repealed.

b. Individual and Undivided Estates/Successions Income Tax Scales and Brackets of Article 94 of the Law are updated. These amounts shall be adjusted on a semestral basis as of 2025 – January and July -, inclusively, by the coefficient arising from the annual variation of the Consumers Prices Index (IPC). Exceptionally during 2024, the adjustment shall be made in September. Further, the Law establishes the scale that shall exclusively apply for the 2023 tax period, except for the case of the income included in subsections a) - public office employees and public office positions-, b) - employees under labor relationships -, and c) - retirement and pensions - of article 82 of the Law, in which case shall apply for such period but until those concepts accrued by September 2023, inclusively.

c. Deductions Amounts Updates (These amounts shall be adjusted on a semestral basis as of 2025 – January and July -, inclusively, by the coefficient arising from the annual variation of the Consumers Prices Index (IPC). Exceptionally during 2024, the adjustment shall be made in September): i. Minimum non-taxable amount: \$3.091.035; ii. Family/Dependents: Spouse or Cohabitation Union: \$2.911.135; Son/Daughter/Step Son/Step Daughter: \$1.468.096; Disabled Son/Daughter: \$2.936.192; Special Deduction: \$14.836.968

d. If by applying the amendments in the determination of the Income Tax concerning income received since January 1st, 2024, and until the last day of the immediately prior month before the effective date of the Law, both dates inclusively and an increase in the tax obligations is produced, a special deduction equivalent to the increase of the net taxable amount generated in such period shall be able to be computed.

e. Ratifies Decree No. 473/2023, and applicable regulations, concerning remunerations as of October 1st, 2023 and up to those received by December 31st, 2023, inclusively.

f. Among others, the following exemptions are repealed: i. Plus - Overtime working hours; ii. Productivity Bonus; iii. Annual Supplementary Salary ("SAC"); iv. Travel and/or Mobility Expenses; v. The last paragraph of Article 94 is repealed - which established that the Plus - Overtime working hours amounts were not computed for the purposes of the scale of Article 94.

g. The offset of losses with gain shall now be made with respect to the net results obtained within each category, except for the gains arising from investments - including digital currency - and transactions referred to by Chapter II of Title IV of the Law (Cedular Tax). Further, tax losses cannot be offset with gains that must pay the tax as a single and definitive payment nor with those included in Chapter II of Title IV of the Law (Cedular Tax).

2.5. Wealth Tax Law (Personal Asset Tax) Amendment

- The non-taxable minimum threshold is increased to AR \$ 100,000,000, and AR \$ 350,000,000.
- For FY 2023 new rates ranging from 0.5% - 1.5% were established, which shall be gradually reduced in the following tax periods until reaching a rate of 0.25% in the FY 2027.
- The Law created a special payment regime for individuals and undivided estates that are Argentine tax residents by December 31st, 2023 – the "REIBP" – which allows them to prepay the Personal Assets Tax concerning FY 2023 – 2027 – in a unified way - in exchange for a lower tax rate - 0.45 or 0.5% per year. This Regime also grants stability until 2038 concerning Wealth Tax and any other national tax that may be created and whose purpose is to tax all or any assets of the taxpayer.
- Taxpayers that complied with their FY 2020 – FY 2022 Wealth Tax obligations shall enjoy a 0.5% reduction of the applicable tax rate for the FY 2023, FY 2025, and FY 2025 periods – in the case of micro, small, and medium entities the reduction shall be of 0.125%. To qualify as "compliant taxpayer", taxpayers: (i) must not have regularized assets under the New Asset Disclosure Regime of this Law; and (iii) must have filed and paid the FY 2020, FY 2021, and FY 2022 Wealth Tax returns by December 31st, 2023. Regulations specify that in the case of substitute liable parties in terms of Article 42 of Decree No. 608/2024 and Article 65 of the Fiscal Package Law, the benefit consists of the application of a 0.375% tax rate.

2.6. Tax Transparency for Consumers

- The Law introduces amendments to the Value Added Tax ("VAT") Law to require that as of January 1st, 2025, when a registered taxpayer makes sales, leases, or provides taxable services to final consumers, the VAT applicable to the transaction must be stated in the invoice or equivalent document.
- Further, in the case that a taxpayer sells goods or services to consumers, they must separate the sales tax from the final price.
- Also, they provide the consumer with a receipt that shows the breakdown of the total price, including VAT.
- Also, when publishing the price of the relevant product or service, those who perform sales, leases, or provision of services to final consumers must indicate the final amount to be paid by the final consumer as well as the net amount excluding VAT and other national indirect taxes affecting prices, which must be accompanied by the legend "PRICE WITHOUT TAXES".

2.7. Small Taxpayers Simplified Regime Categories' Parameters were updated.

2.8. The Mining Royalties Regime is amended to now provide that Provinces adhering to the Mining Investment Law No. 24,196 and that collect royalties – or decide to collect them in the future – shall not be entitled to collect a percentage greater than 3% over the pit-head value of the extracted mineral except for the case of mining project that have not initiated the construction concerning the exploitation stage prior to the effective date of this provision in which case the percentage limit shall be 5%.

2.9. Tax withholding relief concerning electronic collections involving small taxpayers.

Preparing Your Company for the Reform:

To effectively prepare for the tax changes resulting from Laws No. 27,742 and No. 27,743, and applicable regulations, and assess their impact on your business, it's important to follow these guidelines:

Impact Assessment: Conduct a thorough analysis of how the tax reform will affect your company, considering the taxes being amended, the new tax rates, new tax benefits, and potential tax optimization and efficiency enhancement.

Process Review: Reevaluate your internal processes related to tax calculation, payment, and control, ensuring they align with the new legal requirements.

Tax Planning: Update your company's tax planning strategy to account for the changes introduced by the reform, identifying opportunities for tax optimization under the new framework.

Team Training: Invest in training for your tax team to ensure they are up-to-date and prepared to handle the new rules and procedures.

Seek Specialized Consulting: Consider hiring specialized tax consulting services to help your company adapt to the new regulations, identify opportunities for tax savings, and mitigate risks.

Continuous Monitoring: Stay informed about ongoing regulations and guidance related to this newly issued tax reform, keeping an eye on further regulations, potential adjustments and clarifications that may arise.

By following these guidelines and seeking the support of specialized consulting, your company will be better equipped to adapt to the tax changes, ensuring compliance with the new laws and regulations, optimizing tax strategies, and minimizing potential negative impacts on your business.

Conclusion

At TaxUpdate, we've been at the forefront of tax simplification in Latin America for over 16 years. We've developed exclusive technology that monitors official gazettes across 30+ countries simultaneously, delivering daily updates on the most relevant changes to your business, along with personalized technical analysis crafted by our team of expert human specialists.



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