Doing Business in Argentina
If you are considering doing business in Argentina, whether it is setting up a factory and distribution network or just selling goods over the internet, then this is the guide for you.

This handy booklet leads you through everything from the complexities of personal and corporate taxation to the government assistance available to new businesses.

It does not aim to be comprehensive in tackling such a varied and complex subject. Rather, it is intended as a starting point to help you on your way.

Your next step should be talking to us. We have much experience of giving businesses a helping hand. As one of the leading firms of accountants and business advisers in Argentina, with offices in major business centres, we provide a comprehensive range of services to inward investors based on a broad range of business sector expertise. We pride ourselves on offering regional knowledge combined with the resources and expertise of a national firm. Our aim is to work closely with our clients to understand their goals and so help to achieve them.

We recognize that, when conducting business around the world, our clients expect the same high level of service that they enjoy from PKF in Argentina. PKF Argentina is a member firm of the PKF International Limited network of legally independent firms. Our membership means that we can, through collaboration with other member firms, offer sound advice on a range of international issues. We are therefore ideally placed to service your needs, if necessary in collaboration with other member firms of PKF International Limited, whatever they may be and wherever you are located.

Despite the movements in the world economy, the Argentina remains an attractive place to do business. With our assistance, even those not familiar with the way business is conducted and regulated in Argentina can access its substantial markets and use Argentina as a highly effective staging post from which to expand into Latin America and beyond.

We look forward to working with you.

SERGIO VILLAGARCIA
Managing Partner, PKF Argentina
About PKF Argentina

PKF Villagarcia & Asociados is one of the main audit and consulting firms in Argentina with both a strong local presence and an international reach. Established 25 years ago, our experience in audit, accounting, IT consulting, tax advisory, outsourcing, corporate finance and money laundering prevention makes us an excellent choice for companies looking for a professional services firm. We have a long-standing reputation for strong client commitment, professionalism and integrity as well as a sound knowledge of the industries in which our clients operate.

We are a member of PKF International Limited (PKF), the tenth largest global accounting and business advisory network which has more than 300 member firms and correspondents in 440 locations around the world. PKF member firms have around 2,200 partners and more than 21,000 staff.

PKF International is a network member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.
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**GEOGRAPHY**

The territory of Argentina represents the second largest country of South America after Brazil, and is the eighth largest country in the world. It is bordered by Chile, Bolivia, Paraguay, Brazil and Uruguay. It presents a varied geography, with prairies to the East, slopes to the center region and mountain ranges to the West. The country is crossed on the Western end from South to North by the Andes, which constitutes the border with Chile. The highest peak in Argentina (and in the world, outside Asia) is the Aconcagua, of 6,962 meters.

<table>
<thead>
<tr>
<th>Province</th>
<th>Capital (1)</th>
<th>Population (1)</th>
<th>Surface km² (2)</th>
<th>Density inhab/ km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>40,091,359</td>
<td>3,761,274 (4)</td>
<td>10.7 (5)</td>
</tr>
<tr>
<td>1. Buenos Aires</td>
<td>[1]</td>
<td>2,891,082</td>
<td>200</td>
<td>14,455,4</td>
</tr>
<tr>
<td>2. Buenos Aires</td>
<td>La Plata</td>
<td>15,094,428</td>
<td>307,571</td>
<td>50,7</td>
</tr>
<tr>
<td>3. Catamarca</td>
<td>San Fernando del Valle de Catamarca</td>
<td>367,820</td>
<td>102,602</td>
<td>3,6</td>
</tr>
<tr>
<td>4. Chaco</td>
<td>Resistencia</td>
<td>1,053,466</td>
<td>102,602</td>
<td>11,3</td>
</tr>
<tr>
<td>5. Chubut</td>
<td>Rawson</td>
<td>506,668</td>
<td>224,686</td>
<td>2,2</td>
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<tr>
<td>6. Córdoba</td>
<td>Córdoba</td>
<td>3,304,830</td>
<td>165,321</td>
<td>20</td>
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<tr>
<td>7. Corrientes</td>
<td>Corrientes</td>
<td>903,340</td>
<td>88,199</td>
<td>11,7</td>
</tr>
<tr>
<td>8. Entre Ríos</td>
<td>Paraná</td>
<td>1,206,300</td>
<td>78,781</td>
<td>15,7</td>
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<tr>
<td>9. Formosa</td>
<td>Formosa</td>
<td>527,895</td>
<td>72,066</td>
<td>7,3</td>
</tr>
<tr>
<td>10. Jujuy</td>
<td>San Salvador de Jujuy</td>
<td>672,282</td>
<td>53,219</td>
<td>12,6</td>
</tr>
<tr>
<td>11. La Pampa</td>
<td>Santa Rosa</td>
<td>316,940</td>
<td>143,440</td>
<td>2,1</td>
</tr>
<tr>
<td>12. La Rioja</td>
<td>La Rioja</td>
<td>331,847</td>
<td>89,680</td>
<td>3,5</td>
</tr>
<tr>
<td>13. Mendoza</td>
<td>Mendoza</td>
<td>1,741,610</td>
<td>148,827</td>
<td>10,6</td>
</tr>
<tr>
<td>14. Misiones</td>
<td>Posadas</td>
<td>1,097,829</td>
<td>29,801</td>
<td>36,8</td>
</tr>
<tr>
<td>15. Neuquén</td>
<td>Neuquén</td>
<td>550,344</td>
<td>94,078</td>
<td>5,8</td>
</tr>
<tr>
<td>16. Río Negro</td>
<td>Viedma</td>
<td>633,374</td>
<td>203,013</td>
<td>3,1</td>
</tr>
<tr>
<td>17. Salta</td>
<td>Salta</td>
<td>1,215,207</td>
<td>155,488</td>
<td>7,8</td>
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<tr>
<td>18. San Juan</td>
<td>San Juan</td>
<td>680,427</td>
<td>89,651</td>
<td>7,6</td>
</tr>
<tr>
<td>19. San Luis</td>
<td>San Luis</td>
<td>431,588</td>
<td>76,748</td>
<td>5,6</td>
</tr>
<tr>
<td>20. Santa Cruz</td>
<td>Río Gallegos</td>
<td>272,524</td>
<td>243,943</td>
<td>1,1</td>
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<tr>
<td>21. Santa Fe</td>
<td>Santa Fe</td>
<td>3,200,736</td>
<td>133,007</td>
<td>24,1</td>
</tr>
<tr>
<td>22. Santiago del Estero</td>
<td>Santiago del Estero</td>
<td>896,461</td>
<td>136,351</td>
<td>6,6</td>
</tr>
<tr>
<td>23. Tierra del Fuego, Antártida e Islas del Atlántico Sur</td>
<td>Ushuaia</td>
<td>126,190</td>
<td>1,022,445</td>
<td>0,1 (6)</td>
</tr>
<tr>
<td>24. Tucumán</td>
<td>San Miguel de Tucumán</td>
<td>1,448,200</td>
<td>22,524</td>
<td>64,3</td>
</tr>
</tbody>
</table>

**SURFACE AND POPULATION**

Argentina has a surface of 3,761,274 km² and a population of 40,091,359 inhabitants located in its 23 provinces and the City of Buenos Aires (an independent district) who are distributed as follows:
The moderate climate, with an ocean influence, is located in the Buenos Aires Province littoral, in Mar del Plata and Necocchea area, where the influence of the sea causes moderate temperatures. Mild climate is found in Cordoba hills and valleys. Finally, there is a transition belt towards the west, where the area of moderate climate turns into a region of arid climate.

The arid climates are located in a high plateau called La Puna, Catamarca’s Andes, La Rioja and San Juan, the neighboring pre–Andean area and Patagonia extra–Andean. Among the main varieties there is the arid mountain climate, in the high plateau and the Andes, from Catamarca down to Mendoza. To the east of the Andes there is the arid climate of the hills and fields, which roughly involves the area of the Pampas hills. The arid steppes climate stretches down to the south of the region of hills and plains; to the west it ends at the foot of the mountain chain and loses its aridity in the south of Mendoza; to the east it borders the transition belt and to the south, between 40º and 42º south parallels, the transformation of the thermal system derives into another type of climate: the Patagonian cold and climate.

Among the cold climates is the humid strip of the Patagonian Andes, characterized by a progression of rains that occur from S to N – from 34º to 42º – in this cordilleran sector. The arid–windy climate in Patagonia is characterized by its low temperatures, with scanty rainfall and, in winter, strong snow storms. The humid–austal climate includes a strip of Santa Cruz province, at the south of the previous zone, and the province of Tierra del Fuego, except for the snowy climate of the high mountains; has heavier rainfalls and there is no summer period.

The snowy climate is glacial and spreads over the southern mountains, the continental ice area of Santa Cruz and in some glaciers found in the high Patagonian mountains. As regards to the southern islands climate, Isla de los Estados has an oceanic cold climate, with misty and cold weather almost during the entire year and blizzards are frequent. Snow storms are very frequent too.

The oceanic climate is more distinct in Malvinas/Falkland Islands. There are no temperature extremes; summer is barely temperate and winter is not very definite. Orcadas/ South Orkney Islands have a snowy climate. Almost the entire surface of the islands is covered by glaciers and the ice sea only allows access for a few weeks in January.

**CLIMATE**

There are four main types of climate in Argentina: warm, temperate, arid and cold. Argentina’s elongated territory and geographical features ensure that the country has a diverse climate.

Thus, for warm climates, the weather is subtropical without a dry season which covers the provinces of Misiones and Corrientes, the northern area of Entre Rios and the eastern section of the Chaco region. Its main features are high temperatures and abundant rainfall throughout the year.

The tropical weather has a dry season and comprises an area of Salta, the west of Formosa and Chaco, the eastern plains of Tucuman, almost the entire province of Santiago del Estero and the Northwestern area of Santa Fe. It resembles the climate described above, but it differs in that it has a dry season that lasts until the first half of the year. To the Northwest, the mountainous area that includes the sub–Andean hills, its valleys and gullies, is considered to have tropical highland climate.

The area of temperate climates spreads throughout Buenos Aires province, a great portion of Entre Rios, center and South of Santa Fe, the western end of Cordoba and a portion of the Northeast of La Pampa. This section has a mild pampasino climate, which spreads mainly on the riverside of the Parana–Pampa river banks.

On the borderline with the subtropical climate there is a template climate without a winter season, which features the lack of a distinct cold period.

**ADVANTAGES OF INVESTING IN ARGENTINA**

As regards to purchasing power, Argentina has the highest income per capita in Latin America and its economy is highly diverse, with a wide range of qualified workers. The literacy rate is the lowest in Latin America and it can be compared to that of developed countries. In addition, Argentina also has a wide range of natural resources.

- Argentina has around 250.000 km² of fertile land
- This abundance of fertile lands and a competitive industry enable Argentina to be:
  - The 1st producer and exporter of sunflower oil worldwide
  - The 1st producer and exporter of soy oil worldwide
  - The 1st producer of horse meat
  - The 2nd world producer of corn
  - The 3rd world producer of soy beans
  - The 3rd world producer and 2nd exporter of lemons
  - The 3rd world producer of beef
  - The 6th world producer of wine.

It has major energy reserves, namely:

- The local industry manufactures, yearly:
  - 38,744 km of National road network
  - 35,753 km of train network
  - 38 sea ports and 25 river ports
  - 52 airports; 21 of which are international airports
  - More than 25 airlines fly from Argentina to 40 international destinations in the five continents

- Argentina relies on developed infrastructure:

<table>
<thead>
<tr>
<th>Basin</th>
<th>Oil (Mm³)</th>
<th>Gas (Mr. m³)</th>
<th>Ratified</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonoreste</td>
<td>25,026</td>
<td>7,880</td>
<td>128,491</td>
<td>44,524</td>
</tr>
<tr>
<td>Guayana</td>
<td>10,097</td>
<td>6,715</td>
<td>545</td>
<td>183</td>
</tr>
<tr>
<td>Neuquina</td>
<td>179,546</td>
<td>67,145</td>
<td>344,567</td>
<td>97,190</td>
</tr>
<tr>
<td>G. San Jorge</td>
<td>188,040</td>
<td>75,519</td>
<td>40,289</td>
<td>25,833</td>
</tr>
<tr>
<td>Austral</td>
<td>24,416</td>
<td>22,430</td>
<td>148,641</td>
<td>138,398</td>
</tr>
</tbody>
</table>

Total at country level: 448,425 179,687 663,523 306,118

- There are highly competitive industry sectors where world class companies operate, such as Shell, Exxon, Ford, Coke, Fiat, Bayer, Renault, Siemens, Nestle, Firestone, Basl, Preiil and Abbott, among others, which have had local presence for over 50 years in the country.
- The local industry manufactures, yearly:
  - 6 million tons of oil–seed oils
  - 12.3 million hectoliters of wine
  - 2 million tons of sugar
  - 300 thousand tons of tanned leather
  - 1.2 million tons of paper
  - 170 thousand tons of PVC and 545 thousand tons of polyethylene
  - 48 thousand tons of synthetic threads
  - 275 thousand tons of aluminum
  - 5 million tons of steel and 732 thousand tons of seamless pipes
  - 5 thousand harvesters
  - 260 thousand automobiles.
POLITICAL SYSTEM

Argentina has adopted the representative, federal republic form of government (as stated in Section 1 of the Argentine Constitution) whereby representatives are directly chosen by the people.

Representation

Pursuant to the National Constitution, Argentina is a representative (or indirect) democracy whereby representatives only exercise the powers vested by the people for the duration of their term of office.

In accordance with Section 22, “The people does not deliberate nor does it govern but throughout its representatives and authorities as set forth hereby”. Any armed forces or group of people claiming the people’s rights and demanding any action on its behalf shall constitute the crime of sedition”. On the other hand, other quasi-direct mechanisms are allowed, which have been incorporated in the Constitution under the Chapter entitled New Rights and Guarantees, such as:

- Initiative (Section 39 and Act 24747): all citizens are entitled to initiate to put forward bills of law in the House of Representatives, provided that this bill has been approved with consent of the population, which is shown in the amount of signatures required as set forth in the constitution.
- Popular consultations (Section 40): The congress, upon request of the House of Representatives, may submit to popular consultation a bill of law. There are two methods: a binding consultation whereby the people’s vote is mandatory, the summoning law cannot be subject to veto and the affirmative vote of the bill by the people shall cause its enactment, and its further legal publication by the Executive power shall be subsequent. Pursuant to the second method, the non-binding consultation, the vote by the people is not mandatory and it can also be summoned by the country’s president, and the popular decision does not oblige the Congress to enact the bill.

Republic

The term Republic derives from the Latin term Reipublica, which means “the public affair”. A republic is the form of government whereby the officers of state are elected and have a temporary seat.

The republican form of government is based in the division, control and balance of all powers and it has the ultimate purpose to guarantee individual liberties. The principles that support this form are materialized in a written constitution, the separation of powers, eligibility of officers of state, periodicity of terms of office, responsibility by the officers, publicity in matters of state and existence of political parties. A written constitution sets forth the responsibilities and duties of the officers of state, the method of election, and the publicity of matters of state, which also helps citizens to control the powers vested upon said officers.

Federalism

This concept is based in the division of powers between the federal government and local governments. Argentinean provinces preserve “all the power which has not been apportioned to the Federal government” (Argentine Constitution, Section 121). The federal form of government enables mutual control and cooperation between the provinces and the federal government, which in turn avoids the concentration of power by means of its de-centralization.

Two types of governments coexist within this system: the national, or federal government, which is sovereign and has jurisdiction in the entire territory of Argentina, and the local governments, which are independent as regards to creating their institutions and constitutions, which jurisdictions only cover their relevant territories.

GOVERNMENT POLICIES ON FOREIGN INVESTMENTS IN ARGENTINA

Argentine laws do not pose restrictions regarding foreign investments; therefore it is a convenient country to invest in. Foreign investors have the same legal treatment as nationals under the Argentine Constitution. Foreign companies may invest without prior approval or registration requisites. They have unlimited access to all economic sectors and the same access to credit as local companies (invertir.com).

Investment incentives

- Argentina has created several tools destined to promote foreign and local investment, which can be classified into three categories:
  - General incentives: instruments and measures aimed at improving investments which can be applied at any region or business activity
  - Sectorial incentives: Promotion regimes aimed at a specific economic sector
  - Regional incentives: Local promotion regimes and investment support infrastructure

General incentives

- Export promotion regimes such as Draw Back, Temporary Admission Regime, Turnkey plants exports and In-factory Customs

Sectorial incentives

- Instruments and measures aimed at reducing the initial investment cost.
- VAT financing for investment: Decrease in VAT tax rate for capital goods, IT and telecommunications. 0% tariff for capital goods as well as for all goods comprising major investment projects.
- Measures aimed at increasing competitiveness through the reduction of operating costs as deregulation measures in the electric market, air freight, etc.
- The Executive Branch has proposed new tools destined to promote investment to be analyzed by the Congress. These include:
  - Accelerated depreciation for machinery, equipment and infrastructure destined to investment projects
  - Acquisitions of capital goods may be depreciated in the balance sheets of the three subsequent years as from said acquisition and the depreciation of the infrastructure projects shall be reduced in a 50% in relation to the regular depreciation period.
  - VAT refund on the acquisition of goods comprising investment projects. The refund shall be effective upon three months of acquisition if the amount is not refunded.
  - The regime shall be in force for 36 months.

Regional incentives

- Many Argentine provinces have regimes aimed at fostering investment. Usually the following benefits are included:
  - Tax exemption on local taxes such as turnover tax, stamp tax, Real Estate tax, etc.
  - Lower rates on utility services
  - Support on infrastructure and equipment works
  - Purchase facilities and lease or gratuitous balding of state-owned assets.
  - Most provines have infrastructure that support companies, such as Industrial Plants or Free-Trade areas.

Legal framework

- Removal of barriers preventing foreign investors from investing in certain economic sectors.
- The main aspects regarding the legal framework in force in relation to FDI are based in:
  - Equal legal treatment to foreign investors
  - Lack of prior approval or registration of the investment
  - Access to all economic sectors
  - Access to local incentive programs
  - Possibility to transfer proceeds and repatriate equity.
  - Protection and arbitration of disputes between Argentina and Foreign Investors.
  - Argentina has entered into bi-lateral agreements aimed at promoting and protecting investments (BIT’s) and is a member of the MIGA, OFIC and ICSID.

FOREIGN EXCHANGE SYSTEM

Since January 2002, the inflow and outflow of currencies to and from the country is regulated by means of several legal and statutory provisions on exchange affairs. The competent
authority is the Central Bank of Argentina (known as Banco Central de la República Argentina) which, throughout its communications sets out the demands and requirements to be complied with in the following situations:

• Foreign financing
• Setting up of reserves throughout the financing to residents by non-residents.
• Currency transfers to and from overseas.
• Repatriation of foreign investments by residents.
• Investment by non-residents.
• Repatriation of non-resident funds and credits.
• The obligation of settling exchange currencies.

The non-compliance of exchange regulations as set forth by the competent authority creates administrative and criminal liabilities to the legal persons and officers involved.

FINANCING

Capital Markets (Source: IAMC)

Financing throughout Capital Market

As at October 2011, corporate financing totaled in aggregate US$ 7,042 millions, a 24% higher than the amount registered for the same period in 2010 (US$ 5,696 millions), which represents the second highest amount for the aggregate period of January-October. As regards to years 2009 and 2008, this amount surpassed the figures by 121% and 98%, respectively, and in relation to the 2000 financing – the highest amount recorded is below by 9.6%.

The year on year increase was due mainly to the increase of 27.5% of the amounts placed in Financial Trusts (FT) which represented the 66% of the total financed amount. In 2011 167 FT were placed, amounting to US$ 4,692 millions, while for the same period in 2010 US$ 3,681 millions were obtained by the issuance of 140 FT.

51.2% of the FT pertained to those trusts which purpose was the performance of infrastructure works, while the remainder was divided into FT related to consumption (personal loans 39.1% and credit card coupons 6.1%), agriculture (1.1%), leasing (1.1%), mortgages (1%) business credits (0.3%) and future flows (0.1%).

The placement of Negotiable Obligations (NO) also increased in 2011, this time, by 24.3%. 78 NO were placed totaling US$ 2,023 millions, while in January and October 2010 46 placements were made totaling US$ 1,629 millions. The role of NO as regards to the total financing was 28.7%.

As per the last available figures, in 2011, 98.7% of the financing obtained was genuine. 69.5% of the financing to major companies was acquired throughout FTs, while 29.9% was by means of NO and 0.6% by subscribing shares.

SMEs

SMEs obtained US$ 351 millions and reached the highest amount if we consider the aggregate financing as at October of each year. In comparison with the previous year, a 37% increase was noted due to the increase of deferred payment checks (26%), FT placements (27%), NOs (2.053%) and the issuance of shares, given that there was no financing throughout this instrument in 2010.

Deferred payment checks were the main SMEs payment instrument, with US$ 278.7 millions (representing 79.4% of the total amount), followed by FT (13.2% of the total amount), NOs (5.7%) and shares (1.8%).

85% of the amount of SMEs issuances was guaranteed by mutual guarantees associations.

Local Public Companies

On a total of 89 local public companies, the accrued results as at the third quarter of 2011 (3Q-11) showed a positive income (profit) of US$ 14571 millions. This represented a nominal increase of 2.8% as regards to the accrued income in the same quarter 2010.

In dollars, the net income was positive, by US$ 3,246 millions, with a year on year decrease of 1.4% (mainly due to the 6.2% nominal depreciation of the Argentinean peso between 30-09-11 and 30-09-11).

If we take into consideration the quantity of companies; 66 of the 89 of them showed profits by the third quarter of 2011 and 23 of them; losses. By the third quarter of 2010 (3Q-10) 68 companies showed profits and 21 showed losses. On the other hand, 43 companies improved their incomes as regards to the third quarter of 2010 (37 earned more and 6 lost less) while 46 of them worsened (29 earned less and 17 lost more).

The average return on equity (ROE), for all the sectors as at the third quarter of 2011 was of 9.3%. Even though this amount exceeded the 8.4% of 2010, it was lower than years 2005 to 2007. The amount as at the third quarter of 2011 was also below average for the period between 2003 and 2010 (10.2%). The highest ROE pertained to Telecommunications (25.4%), followed by Electric Power Generation (23.5%). The lowest ROE was Paper and Cellulose (0.3%) and Gas distribution (2.2%). The sectors where no ROEs could be calculated were Electric Power Distribution and Transport. (See diagram 4)

The 10 companies with the highest profits represented 87.4% of the positive income accrued as at the third quarter of 2011. While this figure slightly exceeded the 87.1% of the third quarter of 2010, it was consistent with the 2003-2010 average of 87.6%.

<table>
<thead>
<tr>
<th>Sector</th>
<th>3Q-11</th>
<th>3Q-10</th>
<th>3Q-11/3Q-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and Gas Industry</td>
<td>5,133.7</td>
<td>5,048.8</td>
<td>2% ↑</td>
</tr>
<tr>
<td>Banking</td>
<td>4,353.6</td>
<td>3,599.9</td>
<td>21% ↑</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2,826.0</td>
<td>2,035.0</td>
<td>39% ↑</td>
</tr>
<tr>
<td>Metallurgy, Iron and Steel Industry</td>
<td>1,374.5</td>
<td>1,661.3</td>
<td>-17% ↓</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>367.2</td>
<td>409.0</td>
<td>-10% ↓</td>
</tr>
<tr>
<td>Electric Power Generation</td>
<td>190.7</td>
<td>127.0</td>
<td>50% ↑</td>
</tr>
<tr>
<td>Tourism, Leisure and games of chance</td>
<td>163.4</td>
<td>148.5</td>
<td>10% ↑</td>
</tr>
<tr>
<td>Construction</td>
<td>116.3</td>
<td>58.2</td>
<td>100% ↑</td>
</tr>
<tr>
<td>Agricultural and Livestock Manufacturing</td>
<td>111.7</td>
<td>116.2</td>
<td>-4% ↓</td>
</tr>
<tr>
<td>Real Estate</td>
<td>87.4</td>
<td>146.6</td>
<td>-40% ↓</td>
</tr>
<tr>
<td>Gas Transportation</td>
<td>54.8</td>
<td>106.1</td>
<td>-48% ↓</td>
</tr>
<tr>
<td>Commerce</td>
<td>51.6</td>
<td>26.7</td>
<td>94% ↓</td>
</tr>
<tr>
<td>Automotive industry</td>
<td>46.5</td>
<td>5.8</td>
<td>697% ↑</td>
</tr>
<tr>
<td>Agriculture and Livestock</td>
<td>44.3</td>
<td>54.0</td>
<td>-18% ↓</td>
</tr>
<tr>
<td>Industrial Manufacturing</td>
<td>35.3</td>
<td>65.0</td>
<td>-49% ↓</td>
</tr>
<tr>
<td>Shoe and Clothing</td>
<td>33.0</td>
<td>26.7</td>
<td>23% ↑</td>
</tr>
<tr>
<td>Financial, Stock Exchange and Insurance activities</td>
<td>13.7</td>
<td>22.2</td>
<td>-38% ↓</td>
</tr>
<tr>
<td>Publishing and Printing</td>
<td>2.4</td>
<td>4.8</td>
<td>-50% ↓</td>
</tr>
<tr>
<td>Paper and Cellulose</td>
<td>1.7</td>
<td>20.3</td>
<td>-92% ↓</td>
</tr>
<tr>
<td>Passenger Transportation and Tolls</td>
<td>1.3</td>
<td>331.5</td>
<td>-100% ↓</td>
</tr>
<tr>
<td>Electric Power Transportation</td>
<td>41.7</td>
<td>-43.6</td>
<td>-4% ↓</td>
</tr>
<tr>
<td>Holdings</td>
<td>-56.9</td>
<td>371.3</td>
<td>-115% ↓</td>
</tr>
<tr>
<td>Electric Power Distribution</td>
<td>-400.4</td>
<td>-183.2</td>
<td>-381% ↓</td>
</tr>
</tbody>
</table>

TOTAL in Millions of ARS (89 companies) | 14,571 | 14,177 | 2.8% ↑ |

TOTAL excluding Oil and Gas (83 companies, in millions of $) | 9,437 | 9,128 | 3.4% ↑ |

TOTAL in Millions of US$ (89 companies) | 3,246 | 3,291 | -1.4% ↓ |
Bicentennial Program for Productive financing (Known as “Programa de Financiamiento Productivo del Bicentenario” Executive Order 783/2010)

The growth witnessed by the Argentine economy since 2003 demanded deeper policies that encourage the productive investment aimed at focusing on a thriving and vigorous market, and an external market offering great opportunities for exporting goods and services. Thus, the creation of new financial tools that enable the execution of long-term productive investments was deemed necessary. Consequently, the Bicentennial Program For Productive Financing was created; a mechanism destined to promote the development of investment projects and the Creation of the Project Evaluation Unit (known as Unidad de Evaluación de Proyectos).

The Project Evaluation Unit is composed of the offices of the following Departments:

- Department of Economy and State Finances
- Department of Industry and Tourism
- Department of Agriculture, Livestock and Fishing
- Office of Local Commerce
- Office of Industry, Commerce and SMEs
- Office of Agriculture, Livestock and Fishing.

This project, which has received a favorable opinion by the Project Evaluation Unit, shall be managed by the public and/or private Financial System in accordance with the terms of the Program.

The Bicentennial Program for Productive Financing consists of a credit aid with a preferential, beneficial interest rate (9.9% NAI), which aims at promoting investments and exports, has been passed by means of Executive Order 783/2010 – 425 Regulation of the BNA.

All requesting companies may be of any size and economic sector, provided that they comply with the requirements of the BNA and BOPA to perform credit operations and qualify as credit applicant.

COMMERCIAL LOANS

The National Bank of Argentina (known as Banco Nación Argentina), the main business and incentive bank of the country (positioned as number one in the Bank ranking), offers lines of credit in pesos at a fixed rate to major companies and SMEs for work capital and investment projects and with convenient terms.

ARGENTINE IMPORT-EXPORT REGIME

Pursuant to Act 24425, the “General Agreement on Customs and Commerce tariffs” was incorporated, as per the last record and Marrakech protocol in Argentina. Act 22415 (Customs Codes) regulates all taxes levied on imports and exports in our country. These are:

Imports

Import licensing

There are two types of import licensing groups in our country:

- Automatic Licensing
- Non-automatic Licensing.

Automatic Licensing

The World Trade Organization defines Automatic import licensing to those approved at all cases, provided that the information requested is presented accurately and thoroughly. The applications shall be approved within a term not exceeding 10 days.

Non-Automatic Licensing

Import rights: They are levied on imports for an indefinite period of time, which can be specific or Ad Valorem; in this case, the “Customs Value” shall be determined upon GATT valuation standards.

Anti-dumping rights: These rights are levied on the import of goods for a specific period of time, and an Ad Valorem percentage is applied on those goods which export price in the country of origin is less than the price to which similar products are sold in the country of destination.

Statistics rate: This tax exists since the government elaborates and issues statistics. This rate is levied on the definite or temporary import of goods, and it is applied as a percentage of “Customs Value” determined by GATT valuation standards.

Exports

Exporting rights:

This tax is levied on export goods for an indefinite period of time; it can be specific or Ad Valorem, that is, a percentage of the taxable (FOB) amount of the goods.

Statistics rate:

This tax exists since the government elaborates and issues statistics. This rate is levied on the definite or temporary import of goods, and it is applied as a percentage of “Customs Value” determined by GATT valuation standards.

This Act also regulates regimes aimed at fostering exports as stated below:

Refund regimes: It is usually defined as the restitution in whole or in part of importing or exporting rights or other local taxes paid on imported goods, when re-exported. This applies when the goods are exported once again, whether with a greater degree of elaboration or with other exported products.

Reimbursement regime: It is usually defined as the restitution in whole or in part of local taxes levied on goods exported definitely or on services rendered in relation to the latter.

Restitution regime: It is usually defined as the restitution in whole or in part of importing or exporting rights or other local taxes levied on imported goods which will be further exported or on services rendered in relation to the former. This regime shall not be applied jointly with the Refund or Reimbursement Regime.
ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

From early 2011, Argentina has been adapting its legal provisions to meet FATF and GAFISUD requirements. For that purpose, it has rules to prevent and detect suspicious operations or events which could be linked to money laundering and terrorism financing, in line with international standards.

The Financial Information Unit (known as Unidad de Información Financiera) is the administrative body aimed at analyzing, treating and transferring to the criminal justice system the sensitive financial information administered. Its database is constantly updated with the operation reports issued by the several natural and legal persons legally appointed as obliged parties, whose collaboration in the criminal policies for prevention and punishment implemented in Argentina is deemed as mandatory.

Financial activities in general (financial and exchange system, capital market, insurance system, credit card operators and funds transfers) are supervised and controlled throughout their agents (banks, financial entities and exchange agencies, stockbroker companies, insurance companies, funds transfers companies, and others), by means of regular controls and inspections.

Non-financial activities developed by professionals specialized in Economics, as well as Notary Publics and all business activities of those who do business on a regular basis in gambling, the purchase and sale of precious metals and fine art, among others, have been regulated for the past years to adapt their control activities to meet international standards.

This legal system demands the above mentioned obliged parties to implement the policy called “Knowing your client”, the appointment of a Compliance Officer, the elaboration of a Manual on policies and procedures, as well as training and compliance audits, reporting systematically their clients and operations, reporting suspicious operations of Money Laundering and Terrorism Financing in addition to other administrative requirements.

Consequently, any inflow or outflow to or from the country and the quality of their final beneficiaries, as regards to the legal nature of the origin of the assets and purpose, shall be cross-checked with current legal provisions as regards to Anti-Money Laundering and Counter-Terrorism Financing.
BUSINESS ENTITIES

The most common business entities in Argentina are corporations (known as sociedades anónimas), limited liability partnerships (known as sociedades de responsabilidad limitada), and, lastly, foreign company branches.

Corporations¹

Shareholders: A minimum of two shareholders are required - who can be either natural persons residing in Argentina or not, or local or foreign companies - to set up a corporation. The Registry for Legal Persons (known as Inspección General de Justicia) for the City of Buenos Aires (IGJ.), shall not record the incorporation of partnerships which plurality of partners is only formal or nominal (for example, when one of the shareholders has 99.99% of the shares). The scope of the control exercised by the IGJ on the legal nature of companies comprises the verification of the existence of this plurality of partners, in the actual sense. For this purpose, the initial contribution of each founding partner shall be assessed. Furthermore, in order to decide upon the legitimacy of the record, it shall be determined whether the partner has a minimum good standing to comprise, together with the remaining partners, a multilateral effective base. Informally, it is suggested that the minority shareholders have, at least, between 5 and 10% of the shares. The responsibility of each shareholder is limited to the capital contribution made.

Capital: The minimum capital is $12,000, which is divided in non-endorsable nominative shares, though several kinds of shares can be issued. Free shares transfers are allowed, unless the by-laws state otherwise regarding the method for selling shares.

Administration: This type of partnership is managed by a Board of Directors chosen by the Shareholders’ Meeting. The majority of directors must have permanent residence in Argentina.

Legal representation: Managers are the legal representatives of the partnership.

Partner’s meeting: It should take place at least once a year to assess financial statements.

Control: Some partnerships, in view of the business activity developed or the capital (if it exceeds $ 10,000,000) are subject to permanent control by state organisms, and to internal controls, by a statutory auditor or statutory auditors’ committee (known as Sindicatura or Comisión Fiscalizadora).

Limited liability partnership²

Partners: A minimum of 2 partners is required, up to a maximum of 50 partners - who can be either natural persons residing in Argentina or not, or local or foreign companies - to set up a limited liability partnership. The responsibility of the shareholders is limited to the capital contribution.

Capital: The minimum capital is $ 10,000 which is divided in stocks. Partners have a preferential right as regards to the purchase of the same.

Administration: This type of partnership is administered by one or more managers – partners or not –, appointed by the partners. The majority of the managers must have permanent residence in Argentina.

Legal representation: Managers are the legal representatives of the partnership.

Partner’s meeting: It should take place at least once a year to assess financial statements.

Control: Some partnerships, in view of the business activity developed or the capital (if it exceeds $ 10,000,000) are subject to permanent control by state organisms, and to internal controls, by a statutory auditor or statutory auditors’ committee (known as Sindicatura or Comisión Fiscalizadora).

Foreign company branch

Pursuant to legal provisions, all companies set up overseas are regulated by the laws of the place of incorporation as regards to existence and form.

On the other hand, the performance of events consistent with the main business in Argentina requires setting up a branch, affiliate or any other type of permanent representation.

In order to duly operate as branch, it is necessary to certify the existence of the head office overseas, record the articles of incorporation, by-laws or partnership agreement of said head office in the Public Registry of Commerce (known as Registro Público de Comercio), appoint representatives and record them accordingly.

The branches must keep accounting records separately from the head office and the financial statements of the former must be presented in the business control entity.

Foreign branches requesting to be recorded as branch shall report any legal impediments or restrictions to develop, in the place of origin, all or its main activities, provide the names of the partners, certify that they operate effectively overseas, and that they comply with at least one of the following conditions:

• Have, outside the Republic of Argentina, one or more agents, branches or permanent representatives

• Have non-current assets or exploitation rights on third-party assets of said nature

• Have shares in other partnerships non-subject to public trading

• Carry out on a regular basis, investment operations in markets or stock exchanges set forth in their partnership purpose.

In relation to the above, it is worth mentioning that pursuant to Section 123 of the Business Entities’ Act, when a foreign company wishes to set up or purchase shares in an Argentine company, it shall be recorded firstly in the country by registering its by-laws, appointing a representative and declaring a domicile, without this representation being similar to a branch. Likewise, the requirements listed in the above mentioned paragraph shall also be complied with.

The IGJ shall not record off-shore companies that are based in venues of said nature (tax havens). It is understood that the above mentioned companies are those set up overseas which, pursuant to the laws of the place of incorporation, record or registration are banned or restrained within said jurisdiction from carrying out all or the main business of the company.

Partnerships

Broadly, this term comprises all “general partnerships” (known as “Sociedad Colectiva”), whereby the responsibility of partners is joint and unlimited as regards to the obligations of the partnership, once all assets are depleted. There is no minimum capital required and unanimous consent is required for liquidation.

TEMPORARY UNION OF COMPANIES – JOINT VENTURES

The Business Entities Act devotes a Chapter to this type of partnership which is very frequent nowadays. However, it is worth mentioning that it is not a partnership type per se given that it refers to a contractual bond between companies set up and domiciled in Argentina combined for the development or performance of a work, delivery of a service or a provision of a specific supply, inside or outside the territory of Argentina.

TRUSTS

This financial instrument was originally based upon the confidence (the Latin word fiducia means “faith, trust”) entrusted by the owner of an asset to another person (acquirer) so that the latter would administrate it.

In our country, trusts are regulated and operate in accordance to Act 24441, which comprises two types of trusts.

Ordinary trusts

It is an arrangement whereby a person, called the "trustor" transfers to another person, called “trustee”, one or more property (which then comprise the trust property) and domiciled in Argentina combined for the development or performance of a work, delivery of a service or a provision of a specific supply, inside or outside the territory of Argentina.

1 For the purposes of this translation, “Corporation” will be used to imply the term “Sociedad Anónima” in Argentina.

2 For the purposes of this translation, “Limited liability partnership” will be used to imply the term “Sociedad de Responsabilidad Limitada” in Argentina.
by the trustee to perform a limited use of the acquired asset, to then be restored to the transferor or to a beneficiary as appointed by the former). The trust may be set up, on legal terms, by means of a bilateral agreement or living will.

The immediate purpose is the delivery of a property to be administered in an ownership capacity and it may involve any type of assets or interests. As per the relevant legislation, the trust may be set up on goods or interests of any kind, current or future, including all kinds of assets. Thus, the subject matter of the trustee property may represent any type of assets or interests: personal property, real estate, receivables, trademarks and other intangible assets, shares or interests in partnerships, business establishments, etc. It may even be based on non-existent (future) assets at the time of setting up the trust.

There are different types of trusts:

- **Trust transferring ownership:** in this case, the purpose of the trust is the definite transfer of the property held in trust, on behalf of the trustor.
- **Guarantee Trust:** the trustee transfers a (personal or real) property in escrow, whereby an obligation in favor of a third party is held. The purpose of the trustee is only limited to the formal possession of the trusted assets so that, in the event of non-compliance by the trustee with the obligations undertaken, the latter settles the assets and cancels the debt.
- **Management or Investment Trust:** any agreement whereby the trustee transfers the property to the trustee so that the latter may administer it on a professional basis and, as set forth therein, obtains any proceeds from that management as beneficiary.
- **Testamentary trust:** this trust can only be set up on specific property.
- **Insurance Trust:** the insurer enters into a trust agreement whereby the trustee, whether a bank or another financial entity to be relied upon, shall receive the amount of the compensation and shall administer it on behalf of the beneficiaries.
- **Land trust:** the trustee receives from the trustee a real estate property in order to administer it or develop a construction project and selling any of the buildings made.
- **Administrative trust under judicial control:** This type of trust is set up for civil partnerships of legal existence, such as those engaged in sports activities, in the event of bankruptcy or creditor’s meetings. In said case, the trust shall be managed by a trust board in order to administer those entities.

### Financial Trust

“A financial trust exists when one or more people (trustor) transfer the trust property composed of specific assets to another person (trustee). The latter shall manage said property on behalf of the owners of the certificates of participation in the property of the assets transferred or on behalf of the holders of debt securities guaranteed with the assets transferred (beneficiaries) and transfer it to the trustee, beneficiaries or third-parties (remainderman) to comply with the terms or conditions set forth in the agreement”.

As it can be noted, pursuant to Act 24441, the financial trust can be treated as a category within trusts, and the general rules stated in said act apply. Therefore, this type of trust is subject to all rules applicable to trusts in general, with the amendments incorporated for that purpose.

Basic operations are listed as follows:

- Trustor assigns the assets to the trustee by means of a financial trust agreement.
- Trustor, by means of securitization, issues certificates of participation or debt securities guaranteed by the same assets transferred in the trust. The securities must be placed by the trustee in private or public markets, under the terms stated by the Act.
- Any investor purchasing these securities shall become beneficiaries of the trust.
- The results of said placing shall return to the trustee.
- Certificates of participation and debt securities may be to the holder (in which case they are transferred by sheer tradition) nominal endorsable (transferable by endorsement), in which case the record of the transfer shall be required for the purpose of exercising the rights of the endorser), or non-endorisable nominal (the record of the transfer is intended for third parties and the company). It is understood that these may be in writing, and in this case they shall resemble non-endorisable nominal securities.
- As per the Act, the issuance in series (identical securities in one issuance) and the separation into kinds (when securities have identical rights within a same kind, separate from other groups of securities), is permitted. This enables extending the range of possibilities in the securitization processes.

#### ACCOUNTING AND AUDITING

### Mandatory accounting

Pursuant to the Argentine Commerce Code and the Business Entities Act (No. 19550 as amended), all businessmen and business partnerships are obliged to duly keep accounting records.

In order to comply with this requirement, the use of books bearing the seal of the Registry of Public Commerce is mandatory as well as the numbering and binding of said books. The Journal and Inventory and Balance sheet books are compulsory, but other complementary records may also be kept.

Corporations shall also keep sealed books for Board Minutes, Meeting Minutes, Shares’ records and Shares’ deposit as well as a Meeting attendance record.

The above mentioned books, for those companies that keep digital processing systems may, with prior consent by the compliance authority, be carried in loose sheets or electronic formats.

All businessmen, within three months of the year-end date, must present the Financial Statements, which should disclose all the information set forth in Act 19550.

Likewise, for companies under the control of oversight boards, an Independent Auditor’s Opinion is also required in their Financial Statements.

#### Financial Statements

Pursuant to the Business Entities’ Act 19550, corporations and other partnerships are obliged to present Financial Statements on a yearly basis. These statements are listed as follows:

- **Balance sheet**
- **Income statement**
- **Statement of changes in the shareholders’ equity**
- **Statement of sources and application of funds**.

These require an External Auditor’s report expressing an opinion on the same. Financial Statements, in addition to providing a base for the preparation of Tax Returns, they shall be filed in the Tax Authority (known as AFIP) and shall be presented in several controlling agencies, depending on the type of company and the Business activity performed.

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Compliance Entity</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporations, foreign branches, civil associations and foundations</td>
<td>Registry for Legal Persons (known as Inspección General de Justicia)</td>
<td>Within 120 days</td>
</tr>
<tr>
<td>Financial Institutions under Act 25436</td>
<td>Central Bank of Argentina (known as Banco Central de la República Argentina, or B.C.R.A.)</td>
<td>90 days</td>
</tr>
<tr>
<td>Public companies</td>
<td>National Stock Exchange (known as Comisión Nacional de Valores)</td>
<td>70 days</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>National Insurance Office (known as Superintendencia de Seguros)</td>
<td>60 days</td>
</tr>
<tr>
<td>Work Risk Insurance companies</td>
<td>National Work Risk Insurance Office (known as Superintendencia de ART)</td>
<td>60 days</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>INAES (Spanish acronym)</td>
<td>70 days</td>
</tr>
</tbody>
</table>

Public companies, Financial Institutions and Insurance companies shall also present quarterly statements in their relevant compliance bodies.
Accounting standards
In general terms, the Professional Accounting Standards approved by Technical Rulings aim at converging local accounting standards with International Financial Reporting Standards issued by the IASB (International Accounting Standards Board). Likewise, these accounting standards enable several entities to adopt International Financial Reporting Standards and/or International Financial Reporting Standards for SMes, as applicable.

There are some differences between local and International standards as regards to valuation and/or disclosure in some subjects, such as:

- Inflation adjustment
- Valuation of Inventory
- Valuation of Fixed assets
- Deferred taxes on revaluations of Fixed assets
- Intangible assets.

From a legal standpoint, several compliance bodies have issued legal accounting standards as regards to the preparation of Financial Statements to be presented by companies controlled by said bodies.

Thus, there are legal regulations issued by:

- BCRA – For Banks and Financial Institutions
- National Stock Exchange (CNV; Spanish acronym) – For Public Companies
- National Insurance Office – For Insurance companies
- INAES (Spanish acronym) – For Mutual associations and cooperatives
- Registry for Legal Persons – For corporations
- National Insurance Office – For Work Risk Insurance companies.

Audit standards
Financial Information Auditing Standards are contained in Technical Ruling No. 7, which, while the text of the same is focused in the general principles regulating the audit process, it basically follows the requirements of International Standards on Auditing issued by the International Federation of Accountants (IFAC).
Company tax
Companies domiciled in Argentina are subject to income tax on all their income, whether sourced in Argentina or in a foreign country. Non-resident companies are subject to tax on Argentine source income. Income from export of goods situated in Argentina is deemed to be fully taxable and, for other specific international activities (e.g. news agencies, insurance, commercial use of films produced abroad, international transport etc), the tax law establishes a certain percentage as presumed income.

The tax rate for corporations (Sociedades Anónimas, Sociedad de Responsabilidad Limitada – Limited Liability Corporation – en Comandita) and branches of foreign companies domiciled in Argentina is 35%. For other partnerships, the tax is charged to each partner according to a progressive tax rate scale ranging from 9% to 35% depending on the amount of the taxable income.

Foreign recipients not qualifying as a permanent establishment in Argentina are subject to withholding tax at source. The rate is 35% on the applicable presumptive net income percent, depending on the type of payment made (i.e. interest, fees, royalties, rentals, etc).

For companies organized or incorporated in Argentina, any income tax (or similar tax) paid abroad on a foreign source income is creditable against Argentine income income tax, up to a limit (see “Foreign Tax Relief” pg 26).

Company income is taxed on an accrued basis during the company’s business year. The tax is assessed annually within one fiscal year. In the event of a fiscal change, the company must pay effectively at least the amount of MPIT assessed every fiscal year. Therefore, every year the company must assess both taxes, yet pay either income tax or MPT, whichever is the higher.

Single simplified tax
Single simplified tax is a volunteer tax applicable to individuals and small partnerships that perform little activity and where income does not exceed a threshold set by the Act. The taxpayer can choose whether to pay income tax and VAT or substitute both by paying a monthly single simplified tax. The tax is determined considering a scale of income.

Local taxes
The different Provinces and Jurisdictions within the territory of Argentina apply local taxes. A brief description is provided as follows:

Turnover tax: This is a provincial tax levied on the various stages of production and selling processes but no input tax is deductible from the tax amount of the immediately preceding stage (waterfall effect).

In general, the current market value must be given. Some assets are not levied, e.g. shares of other companies domiciled in Argentina, dividends earned, investment in constructions (for two years), and new personal property purchases (for two years). Companies having less than $200,000 of assets are not levied. Field Real Estate property is levied allowing a special deduction of up to $200,000.

The tax rate is 1%. Financial institutions and insurance companies, subject to the control of state entities, are subject to MPT on 20% of their assets value.

Although this is an ‘assets tax’, the spirit of the law is to set a company’s minimum income tax liability (for example, in the case of tax losses). Income tax assessed by the company may be creditable against MPT for the same fiscal year.

If, in the same fiscal year, the income tax assessed is higher than the MPT assessed, the net will not generate a tax credit. On the other hand, if in the same fiscal year the MPT assessed is higher than the income tax assessed, the net of the MPT may be carried forward and offset against income tax in the following ten fiscal years. Despite this tax credit, the company must pay effectively at least the amount of MPT assessed every fiscal year. Therefore, every year the company must assess both taxes, yet pay either income tax or MPT, whichever is the higher.
Under an agreement signed between the National Administration and the Provincial Administrations, several exemptions to some productive activities have been established and the tax scheme will be reshaped gradually until this tax becomes ineffective and replaced by a ‘neutral’ tax. In general, small industrial activities are not levied in the jurisdiction where the factory is located.

**Stamp tax:** The duty is levied in each of the country’s jurisdictions on juristic acts and instruments entailing a flow of wealth between the parties involved in the legal relationship. Thus, stamp tax is applicable inter alia to acts whereby for profit transactions on Real Estate, personal property, services rendered and civil, commercial or financial obligations are documented. Rates vary according to the jurisdiction and the type of instrument involved, the most common one being 1.00% of the contract value. Under the aforesaid fiscal agreement, stamp tax is also to be phased out in the future but it currently is still in effect.

**Land and car taxes:** These taxes, typically ‘ad valorum’, are levied on land and automobiles located or registered within any of the country’s 24 provinces. The fiscal assessment value of the assets and the applicable tax rate vary according to each jurisdiction.

**Rates:** These are municipal levies applied on a range of taxable bases in the various jurisdictions, in consideration of services provided by each township. The taxable base is the performance of an activity for profit in a town. The tax rate, set by each Municipal Act, is applicable on the turnover and depends on the activity performed.

**Other taxes**

**Excise tax:** This is a federal tax on specific goods and services, levied on a variety of items such as cigarettes, tobacco, alcoholic beverages (whisky, other spirits, liquor, etc), soft drinks, beer, automobiles, ships and aircraft, mobile phone services, insurance premiums, luxury items (jewelry, stones, pearls, furs, etc), some electronic products (microwave oven, television set, radio, several home appliances, etc). Excise tax is levied on the sale price. The tax rate varies depending on the item. This tax is generally levied on the production or importing stage (first stage). Furthermore, a fuel and gas tax is levied on the sales of some of these products.

**Investment allowance**

At present, there is no income tax incentive scheme in force allowing additional deductions, in whole or in part, for investment on facilities and equipment.

**Depreciation of fixed assets**

For real estate, the law establishes a depreciation rate of 2% annually on the portion attributable to the building. The Tax Act indicates that fixed assets may be depreciated over their estimated useful life on a straight-line basis. Assets subject to depletion (mines, quarries etc), may be depreciated, not on the straight-line method, but proportionally to the units extracted in each period.

**Stock/inventory**

In the case of resale goods and raw materials, inventories should be valued at their production cost. The inventory value is determined on a periodic basis, by considering the average market value of goods, or the purchase cost. Under the aforesaid fiscal agreement, tax on the sale of real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.

**Social security contributions:** These are federal taxes levied on both employers and employees. The taxable base is the salary. The employer assesses the tax and files the tax return with the official authority on behalf of both, including self-assessment plus the tax withheld to employees.

Employee contributions on salaries are 17% of salary and employers’ contributions are set at 23% for small and medium sized companies and 27% for large companies. Employers’ social security contributions can be partially considered an input tax for VAT purposes in some provinces. The amount that can be offset depends on the employer’s location, ranging from nil in Buenos Aires up to 10.75%.

**Tax on checking account debits and credits:** This tax is levied on financial transactions. The taxable event is not only each debit and credit in a checking account but also a large variety of financial transactions (money remittances, money orders, check deposit on saving accounts, etc). The law sets out several exceptions (i.e. saving accounts, stock exchange agents, non-profitable associations, etc) and provides for reduced rates for certain transactions such as time deposits.

To prevent tax avoidance, any amounts over $1,000 must be paid by check as a binding procedure.

The tax rate applicable is 0.60% on each debit and 0.60% on each credit on checking account. Thus the whole transaction is levied at a 1.2% rate. For specific activities performed by some taxpayers (who might use checking accounts to make payments on behalf of third party) a 0.075% rate is applicable.

17% of the tax amount paid each month is creditable against income tax or minimum presumptive income tax. The remaining 83% of the tax is a non-recoverable expense. The idea is that Financial Institutions act as withholding agents in order to ensure the revenue of the most important taxes.

**Determination of taxable income**

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act lists specific regulations for dealing with the cost of products, fixed assets, real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.

**Interest deduction**

Interest is generally deductible provided it is incurred on loans taken out for business purposes. Otherwise the deduction is denied. Notwithstanding this, there is a threshold set on deductible interest. Under thin capitalization rules, interest is disallowed where all the following conditions take place all together:

- the company’s financial debt/equity ratio exceeds 2:1
- the loan is granted by a foreign resident who controls the Argentine company (directly or indirectly)
- the withholding tax rate applicable on the interest paid abroad is reduced to 15.05% (that is 35% tax rate on 43% presumptive net income). See ‘Withholding income tax for foreign transactions’ pg 26

Where the conditions do not apply simultaneously, no limitation is applied and interest is fully deductible. This is logical because when the withholding tax rate applicable is 35% (35% tax rate on 100% presumptive net income), the full tax was already withheld and the deduction is therefore allowed. (See pg 26 for more details about withholding tax on interest.) If the limit is applicable, interest is not deductible on the percentage of two times Net Worth over total liabilities. The remaining percentage of interest is deductible.

**Losses**

Income tax losses made in a given fiscal year may be carried forward for five years but taxpayers may only offset losses against the same kind of income. Thus, stocks and foreign-sourced losses may only be offset against income of the same kind.

**Foreign capital inflows**

No special regulations exist to control incoming funds disclosed as capital contributions, as the current policy is designed to encourage inflows of foreign capital. However, foreign companies should pay personal assets tax (see below) because Argentine Law deems that the stock belongs to a resident individual. Other kind of incoming funds may be subject to a time deposit (see ‘Exchange Control’ pg 98 ).

On the other hand, there are specific regulations in force to control outgoing funds set by the Central Bank.

**Social security contributions:** These are federal taxes levied on both employers and employees. The taxable base is the salary. The employer assesses the tax and files the tax return with the official authority on behalf of both, including self-assessment plus the tax withheld to employees.

Employee contributions on salaries are 17% of salary and employers’ contributions are set at 23% for small and medium sized companies and 27% for large companies. Employers’ social security contributions can be partially considered an input tax for VAT purposes in some provinces. The amount that can be offset depends on the employer’s location, ranging from nil in Buenos Aires up to 10.75%.

**Tax on checking account debits and credits:** This tax is levied on financial transactions. The taxable event is not only each debit and credit in a checking account but also a large variety of financial transactions (money remittances, money orders, check deposit on saving accounts, etc). The law sets out several exceptions (i.e. saving accounts, stock exchange agents, non-profitable associations, etc) and provides for reduced rates for certain transactions such as time deposits.

To prevent tax avoidance, any amounts over $1,000 must be paid by check as a binding procedure.

The tax rate applicable is 0.60% on each debit and 0.60% on each credit on checking account. Thus the whole transaction is levied at a 1.2% rate. For specific activities performed by some taxpayers (who might use checking accounts to make payments on behalf of third party) a 0.075% rate is applicable.

17% of the tax amount paid each month is creditable against income tax or minimum presumptive income tax. The remaining 83% of the tax is a non-recoverable expense. The idea is that Financial Institutions act as withholding agents in order to ensure the revenue of the most important taxes.

**Determination of taxable income**

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act lists specific regulations for dealing with the cost of products, fixed assets, real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.
Incentives
Promotional tax schemes are available for new investments in agricultural transactions and tourism in certain areas of Argentina. Approval of new industrial investment projects has been suspended.

Corporate mergers
Corporate reorganizations (de-mergers and mergers/consolidations) are to be considered “tax free” provided that certain legal requirements and proceedings are met. These relate, in particular, to maintenance of the shareholders’ interest and continuance of the business activity carried out (two years after and before the reorganization process). In such cases, any outstanding tax loss may be carried forward and other existing allowances and liabilities may be passed on to the successor companies.

Shares and Bonds
For corporations domiciled in Argentina, the income produced by share holding is levied when share alienation takes place (not just because of holding them). On the other hand, bonds must be valued at their current value. Therefore, the income produced by bond holding is levied whether they are sold or not. For foreign residents domiciled in any country but tax havens, the disposal of shares (issued by an Argentine company) is not levied with Income Tax.

FOREIGN TAX RELIEF
Any overseas income taxes paid on foreign-sourced income may be creditable against Argentine income tax up to the limit of the increase in the tax liability resulting from aggregating the foreign-sourced income.

CORPORATE GROUPS
Companies belonging to the same group or holding, but having separate legal status, should pay their taxes separately and the transfer of losses from loss-making to profit-making members of the same group of companies is not permitted. Nevertheless, payment is waived in the case of taxes arising from corporate reorganizations (de-mergers and mergers/consolidations) which comply with established legal requirements (particularly, maintenance of the shareholders’ interest and continuance of the business activity carried out) for two years after and before the reorganization process.

TRANSFER PRICING AND RELATED PARTY TRANSACTIONS
Under Argentine Law, transactions between Argentine companies and related parties domiciled abroad are deemed to take place at arm’s length rates for tax purposes.

When the pricing used agrees with normal market practices as between non-related entities, no adjustment is required for tax purposes.

For income tax assessment purposes, Argentine law provides for the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin) to demonstrate that an arm’s length price has been used in transactions performed with related parties residing abroad, or any parties residing in tax havens. The related parties test is broad and includes not only transactions between a local subsidiary and its parent company, but also other relationships, e.g. local company and foreign subsidiary, local permanent establishment and foreign head office, local company and foreign permanent establishment, local company and related or not related party residing in a tax haven, among others.

WITHHOLDING INCOME TAX FOR FOREIGN TRANSACTIONS
When Argentine-source income is paid to foreign recipients who do not have a permanent establishment – branch, office, etc - in Argentina, such income is subject to withholding tax of 35%.

For each activity, the law establishes a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate. The following table shows the presumptive net income percentages:

<table>
<thead>
<tr>
<th>Income</th>
<th>Presumptive net income percentage</th>
<th>Effective withholding tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on loans granted by overseas banks only on condition that the lender bank: a) is domiciled in a jurisdiction not considered a “tax haven”, and, b) has supervision on financial activity provided by the Central Bank (Federal Reserve). Offshore banks domiciled in any territory are not included in this category.</td>
<td>43%</td>
<td>15.05%</td>
</tr>
<tr>
<td>Interest on debt arising from the importation of property plant and equipment subject to depreciation (except cars) provided that the exporter is the creditor.</td>
<td>43%</td>
<td>15.05%</td>
</tr>
<tr>
<td>Interest on time deposits made by foreign residents (either companies or individuals) in financial institutions located in Argentina, provided the interest is not chargeable to income tax in the country of residence.</td>
<td>43%</td>
<td>15.05%</td>
</tr>
<tr>
<td>Royalties arising from technical assistance or consulting not available in Argentina under specific regulations (the contract must be duly registered with the official authority).</td>
<td>60%–80%</td>
<td>21%–28%</td>
</tr>
<tr>
<td>Copyright (must be registered with the National Copyright Bureau)</td>
<td>35%</td>
<td>12.25%</td>
</tr>
<tr>
<td>Other royalties</td>
<td>90%</td>
<td>31.50%</td>
</tr>
<tr>
<td>Salaries of technicians, professionals, sportsmen, and artists for temporary work in Argentina (individuals only – not applicable when the provider is a corporation).</td>
<td>70%</td>
<td>24.50%</td>
</tr>
<tr>
<td>Personal property leases</td>
<td>40%</td>
<td>14.00%</td>
</tr>
<tr>
<td>Real Estate property leases</td>
<td>60%</td>
<td>21.00%</td>
</tr>
<tr>
<td>Disposal of assets situated in Argentina</td>
<td>50%</td>
<td>17.50%</td>
</tr>
<tr>
<td>Other incomes</td>
<td>90%</td>
<td>31.50%</td>
</tr>
</tbody>
</table>
EXCHANGE CONTROLS
Exchange controls are currently in effect. Foreign currency can be transferred into Argentina provided that the sender files a disclosure with the official authority. In some cases, the transfer is subject to a one-year time deposit (with no interest accrued) for the 30% of the amount transferred (especially financial loans). Capital contributions are not subject to the time deposit. To transfer out, the reason must be proved by filing forms with the Central Bank (i.e. dividends, loans, etc).

PERSONAL TAX
Two taxes are currently levied on individuals:

- income tax
- personal assets tax (wealth tax).

Income tax
The tax is levied on income earned in Argentina and abroad by individuals residing in Argentina. It is payable on an annual basis with five advanced payments (every two months). Any expenses incurred in generating such income may be deducted from gross income. The law establishes fixed deductions: non-taxable minimum, special tax free amount, dependant allowance, etc.

Capital gains not related to income-generating activity are not subject to tax, regardless of whether a loss or a profit is made.

Capital gains not assigned to such activity, a 1.5% real estate sales tax is charged on the selling value of the property.

Employees are subject to withholding tax at source, for which the employer is responsible (withholding agent).

Resident individuals are liable to the tax on the basis of a progressive tax rate scale ranging from 9% to 35% of annual taxable net income.

Personal assets tax (wealth tax)
This tax is levied on:

- all assets located in Argentina or in foreign countries that belong to individuals resident in Argentina
- all assets located in Argentina that belong to individuals resident in foreign countries
- shares issued by Argentine companies. In this case, the company pays the tax on behalf of the shareholders.
- trusts (excluding financial trusts). In this case, the trustee pays the tax on behalf of the beneficiaries.

Individuals residing in Argentina
This tax is levied on all assets located in Argentina and in foreign countries. Similar tax paid arising overseas in respect of assets located in foreign countries is creditable against personal assets tax.

The only deduction allowed is the amount of liabilities arising from the purchase or construction of the taxpayer’s home.

Investments in shares issued by an Argentine company are not to be included in the taxable base because the company pays this tax on behalf of the shareholders (a situation that does not mean shares are exempted).

The tax is assessed on the value of property that exceeds the tax free amount of $305,000. If the taxable base is higher than $305,000, the tax is assessed on the total and it is calculated on a progressive tax-rate-scale basis. The applicable rate ranges from 0.5% to 1.25% on the taxable base.

Individuals and companies residing in a foreign country
The tax is also charged on assets located in Argentina and owned by individual foreign residents at a 1.25% rate. Neither deductions nor taxable minimum are allowed.

In the case of certain assets (i.e. securities, non-exploited real estate property, etc) located in Argentina and owned by foreign companies, these are deemed to belong to individuals and are levied with personal assets tax at a 2.50% rate.

Shares of an Argentine company who reside in foreign countries are liable to personal assets tax. The tax liability is not assessed directly but is paid by the company on behalf of its shareholders (see the next paragraph).

Shares issued by an Argentine Company
Shares whose holders are foreign resident companies are deemed to belong to foreign resident individuals and the tax is levied on those shares.

The tax is assessed as a percentage of the company’s equity value assessed in the company’s last financial statements. The tax rate is 0.5%.

In all such cases, the tax is assessed and paid by the Argentine company on behalf of the shareholders. The tax paid is not deductible for income tax purposes because the company is allowed to claim the tax paid to the shareholders.

A foreign company’s branch (a permanent establishment in Argentina) will be levied on personal assets tax in respect of the capital assigned to the branch.

For foreign companies’ shareholders of an Argentine company who reside in Treaty Countries (for the avoidance of double taxation), it is important to analyze each Tax Treaty to understand whether shares are levied in Argentina or in the country where the holder has their fiscal residence.

TREATY AND NON-TREATY WITHHOLDING TAX RATES

<table>
<thead>
<tr>
<th>Treaty Countries</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria[12]</td>
<td>10/15/20</td>
<td>12</td>
<td>10/15/20</td>
</tr>
<tr>
<td>Belgium[13]</td>
<td>10/15/20</td>
<td>12</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Bolivia[14]</td>
<td>10/15/20</td>
<td>12</td>
<td>10/15/20</td>
</tr>
<tr>
<td>Brazil[15]</td>
<td>10/15/20</td>
<td>12</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Canada[16]</td>
<td>10/15/20</td>
<td>12.50</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Chile[17]</td>
<td>10/15/20</td>
<td>12</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Denmark[18]</td>
<td>10/15/20</td>
<td>12</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Finland[19]</td>
<td>10/15/20</td>
<td>15</td>
<td>5/10/15/20</td>
</tr>
<tr>
<td>France[20]</td>
<td>10/15/20</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>Germany[21]</td>
<td>10/15/20</td>
<td>20</td>
<td>15/15/20</td>
</tr>
<tr>
<td>Italy[22]</td>
<td>10/15/20</td>
<td>20</td>
<td>15/15/20</td>
</tr>
<tr>
<td>Netherlands[23]</td>
<td>10/15/20</td>
<td>12</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Norway[24]</td>
<td>10/15/20</td>
<td>12.50</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Russia[25]</td>
<td>10/15/20</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Spain[26]</td>
<td>10/15/20</td>
<td>12.50</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Sweden[27]</td>
<td>10/15/20</td>
<td>12.50</td>
<td>3/5/10/15/19</td>
</tr>
<tr>
<td>Switzerland[28]</td>
<td>10/15/20</td>
<td>12</td>
<td>3/5/10/15/19</td>
</tr>
</tbody>
</table>

1 This is the percentage ceiling set under the agreement. However, it is only applicable when the conditions set under (B) are met (Goods, services).
2 The rate applies to interest rates associated with the sale of equipment, bank loans and public works financing.
3 This is the ceiling set by the treaty. However, when the effective rate for non-treaty countries is lower, this latter rate is applicable.
4 Under the agreement no ceilings were set but the jurisdiction where the tax was paid must be stated. Therefore, applicable rates are those for non-treaty countries.
5 The 10% rate applies to copyright royalties.
6 Rates according to contract purpose and terms.
7 A 3% rate applies to the use of news, a 5% rate applies to copyright, a 10% rate applies to trademarks, patents and technical assistance, and a 15% rate applies in other cases.
8 A 5% rate is appropriate only where the payment relates to copyright.
9 See withholding taxes description at (F) above.
10 The Treaty with Austria was rendered ineffective as of 01 January 2009.
11 The Treaty with Switzerland was rendered ineffective as of 01 January 2012.
INTELLECTUAL AND INDUSTRIAL PROPERTY

Intellectual property is protected by the Argentine Constitution under Section 17. Likewise, Argentina is a contracting party to the Paris Convention, and has also approved TRIPS and GATT.

COPYRIGHT

All copyright issues are regulated by Act 11723, whereby the protection to all scientific, literary, artistic and educational creation, as well as software and computer programs is set forth. Pursuant to this act, property rights are granted to the owner of the work and his/her successors for 70 years as from the decease of the author.

TRADEMARKS

Trademarks are regulated by Act 22362, whereby the ownership of a trademark and its exclusive use are obtained by means of its registration. The duration of a trademark shall be of ten (10) years, and it can be indefinitely renewed by periods of 10 years, if it had been used within five (5) years prior to each due date, in the sale of a product, in the delivery of a service or as a way of naming an activity.

For registration purposes; one or more words with or without a conceptual meaning, any drawing, emblem, monogram, inscription, stamp, seal, image, band, color combination applied in a specific location of products or containers of said products, any packaging, product container, letter and number combination, any letter and number with a particular feature, advertising phrase, distinctive embossing and any other sign with said capacity shall be deemed as “trademark”.

PATENTS

Act 24481 represents the regulatory framework for patents, though Argentina has not adhered to the Patent Cooperation Treaty (PCT).

Any invention of products or procedures can be subject to patent provided that they are new, that they represent an invention and that they may have an industrial application. For this purpose, any human creation that enables the transformation of matter or energy for its further human use shall be deemed as “invention”.

In addition, the novelty of an invention depends upon the state of art, which represents every technical knowledge made available to the public before the date of filing the patent application or, if applicable, of the acknowledged priority, by means of an oral or written description on the exploitation or by any means of disclosure or information in the country or overseas.

Pursuant to the above mentioned act, “invention” takes place when the creative process or its results are not evidently deducted from the state of the art by a person with standard skills in the relevant technical matter. Industrial application shall occur when the subject matter of the invention leads to obtaining a result or industrial product. It is understood that the term “industry” comprehends agriculture, forestry, livestock, fishing, mining, manufacturing industries per se and services.

The disclosure of an invention shall not affect its novelty feature when, within one (1) year prior to the date of filing the patent application or, if applicable, of the acknowledged priority, the inventor had revealed the invention throughout any means of communication or had been shown in a national or international exhibition.

The patent lasts twenty (20) years, and it cannot be extended. This term shall begin as from the date of filing the application.

CONSUMER AND COMPETITION PROTECTION ACT

As regards to Consumer and Competition Protection in Argentina, it could be said that:

1. There is a Competition Protection Act aimed at prohibiting monopolies or oligopolies, under the assumption that the latter have a dominant position in the market.

This subject is regulated by Act 25156, effective as from September 28th 1999, and the compliance entity in this matter is the National Board for Competition Protection (known as Comisión Nacional de Defensa de la Competencia). Pursuant to said regulation, certain events or behaviors related to the manufacturing and exchange of goods and services are prohibited if said events or behaviors limit, restrain, forge or distort other competitors or constitute an abuse by the dominant position in a market and, in both cases, if they can be prejudicial to the general economic interest. Therefore, said behaviors, while they are not in themselves illegal, and it is not necessary that they cause an actual damage; they are deemed illegal if they can be prejudicial to the general economic interest.

On the other hand, said act lists several events that constitute restrictive policies towards competition, such
as setting prices, limiting or controlling the technological development or production of goods and services, setting minimum volumes or horizontal allocations of areas, markets, clients and suppliers; arranging or coordinating biddings in tender processes or contests; impeding, hindering or excluding one or more competitors from accessing a market; subordinating the sale of an asset to the acquisition of another or to the use of a service; or subordinating the delivery of a service to the use by another or to the acquisition of an asset; submitting the purchase or sale to the condition of not using, acquiring, selling or supplying goods or services produced, processed, distributed or sold by a third party; denying, for no reason, the fulfillment of requests for the transfer of goods or services without justifiable reasons; imposing segregatory conditions for the acquisition or alienation of goods or services without reasons based in the business uses and practices; suspending the supply of a monopolic service in the market to a supplier of public services or of public interest and setting disloyal prices.

This regulation applies to all persons and entities developing economic activities in Argentina and to those performing economic activities overseas, when their actions, activities or arrangements could have effects in the local markets.

2. There is a “Consumer Protection Act” aimed at protecting consumers and users, including natural and legal persons that for good or valuable consideration enter into agreements for sole or third-party consumption. The purpose is to prevent any situation posing a risk for the health or safety of the user and for that matter, regulate all areas concerning the information to be supplied to the consumer so that the user may be aware of the essential characteristics of the product purchased and of its risks. In addition, it seeks to provide a set of rules to the responsibility by all manufacturers, importers, distributors and businessmen that sell a flawed product. In this sense, the Consumer Protection Act sets forth a “legal guarantee” on the flaws or vices of the product sold that provides for the joint responsibility by the people mentioned above. As regards to consumer associations, it is worth mentioning that this act not only legalizes their functioning but it also provides a regulatory framework.

PROTECTION OF PERSONAL INFORMATION

Act 25326 regulates the protection of sensitive information of people, whose inappropriate disclosure may cause severe prejudice. In this sense, the remedy of habeas data was incorporated under New Rights and Guarantees in the Argentine Constitution in 1994. This remedy entitles any person to file for a request of legal protection (amparo) to gather all existing information on said person listed in all registries of public or private information databases destined to supply reports. In the event of false or discriminatory information, the person is also empowered to request the suppression, correction, confidentiality or update of the same.

It is basically aimed at protecting honor and privacy of natural and legal persons when they may be affected by the information appearing on files, registries, databases or other technical means treating this information, whether of public or private access. In view of the purpose, and bearing in mind the capacity of the owners of the records mentioned above, this remedy of habeas data is a useful tool that can be applied in all contexts.

Said act regulates questions of law relevant to information protection; it sets forth a regime of administrative non-compliance fines, and includes two new sections to the Criminal Code: sections 117 bis and 157 bis, which refer to the right to honor and breach of secrecy respectively, as a way to reinforce the protection provided on personal information listed in records.

The compliance entity in this regard is the National Office for Protection of Personal Information (known as Dirección Nacional de Protección de Datos Personales), that sets security measures for treating and keeping personal information contained in files, records, private and public (non-state) databases.

In this sense, all persons in charge of keeping databases are obliged thereto to incorporate technical and organizational measures deemed necessary to ensure the security and confidentiality of personal information contained in their bases in order to prevent modifications, losses, non-authorized consultations and detect information deviations. Consequently, pursuant to act 25326, all personal information recorded in databases that do not have all technical safety conditions is forbidden.
WORK CONTRACTS

In Argentina, labor relations are regulated by the Labor Contract Act No. 20744, supplementary laws and Collective Bargaining Agreements agreed upon both by trade unions as well as by companies.

EMPLOYEES’ RIGHTS

All employees are entitled to a job concordant with the contract qualification, to respect, right to freedom of speech, safe and decent working conditions, in addition to earning a salary and to be free from discrimination.

WORK PERIOD AND OVERTIME

There is a maximum work period that has been legally set forth, whereby the work period shall not exceed 8 hours daily or 48 hours a week. The parties may establish a shorter work period individually or collectively. Night work periods (between 21:00 and 06:00hs.) shall not be extended for more than 7 hours. When the work is performed in unhealthy places or that they may compromise the employee’s health, the duration of the work period shall not exceed 6 hours a day or more than 36 hours a week.

Overtime refers to any time exceeding the 8 daily hours and it is paid with a bonus of 50% in the event of regular working days and of 100% for Saturdays after 13.00hs., Sundays and/or holidays.

VACATION PAY

The employee shall be entitled to a minimum paid rest period on a yearly basis. The vacation period depends on the seniority, and the terms are listed as follows:

- 14 calendar days’ vacation, when seniority does not exceed 5 years
- 21 calendar days’ vacation, when seniority exceeds 5 years but is below 10 years
- 28 calendar days’ vacation, when seniority exceeds 10 years but is below 20 years
- 35 calendar days’ vacation, when seniority exceeds 20 years.

Vacation pay cannot be compensated in money or in kind.

TERM OF THE WORK CONTRACT, TERMINATION AND SEVERANCE PAYMENTS

The termination of the work contract may happen because of:

- Reasons attributable to the employer:
  - Resignation
  - Incapacity
  - Retirement
- Reasons attributable to the employer:
  - Justified or unjustified dismissal: when no sound argument is provided for the dismissal, a severance payment equaling one month per each year of work shall be paid to the employee. If the reason is based on discriminatory causes, then the payment shall be greater.

The employer is obliged to submit a notice to the employee when the contract is terminated, with one or two months in advance, in relation to the employee’s seniority. This termination may arise due to the mutual consent of the parties or at the completion of a term for specific term contracts.

When the employee is under probationary employment period (within the three first months after his/her hiring) the employer may rescind the contract, with a 15-day advance notice, and the employee shall have no right to compensation.

FOREIGN EMPLOYEES IN ARGENTINA

Act No. 25871 regulates the admission, entrance, stay and departure of people in Argentina. In this sense, it has been set forth that the competent authority to hear these issues is the National Migrations Office together with the Auxiliary Migrations Police (known as Dirección Nacional de Migración and Policía Migratoria Auxiliar, respectively).

As set forth in said act, all foreigners shall be granted admission to enter and stay in the country as “permanent residents”, “temporary residents” or “transitory residents”. Until the relevant procedure is carried out, the competent authority may grant an approval of “precarious residence”, which shall be revoked by the latter when the reasons considered for said grant be revoked. It shall be valid for (180) one hundred and eighty running days, which may be renewed until the request of the approval be solved. In turn, this approval will enable the holders to enter, exist and re-enter the territory, work and study for the term of validity. The extension and renewal of the “precarious residence” does not directly render a favorable decision as regards to the admission requested.

All foreigners who have been granted admission or authorization as “permanent residents” may develop any paid or lucrative task or activity, under freelance or employment terms, and will be protected by the laws on the matter. Foreigners who have been granted admission or approval as “temporary residents” may develop said tasks for the term specified in the residence application. Any foreigner who has been granted admission or approval as “transitory resident” shall not develop any paid or lucrative tasks, whether under freelance or employment terms, except for those included in the sub-category of “seasonal migrant workers”, or unless they have been expressly approved by the National Migrations Office, pursuant to the current act or in the Migrations agreement entered into by Argentina. All foreigners who have not been granted a precarious residence may be authorized to work for the term and within the conditions as set forth by the National Migrations Office.

All foreigners residing irregularly in the country shall not work or perform paid or lucrative tasks, whether under freelance or employment terms. All foreigners shall keep their information up to date in the National Migrations Office, by the method and within the terms as set forth by said Office as regards to the domicile where all notices shall be deemed as received and acknowledged.

INTEGRATED SOCIAL SECURITY CONTRIBUTIONS SYSTEM

As set forth by Act 24241, there is a single Social Security Contributions regime named Sistema Integrado Previsional Argentino (SIPA), funded by a joint pay-as-you-go system where all contributions made by the employee and by the employer are merged.

SOCIAL SECURITY CONTRIBUTIONS MADE BY EMPLOYERS

The contributions to said Social Security system are channeled by the offices detailed below, which are calculated on the salaries of the employees, upon the business activity of the company and the annual turnover:

- National Social Security Office for Pensions and Retirement funds (known as Instituto Nacional de Servicios Sociales para Jubilados y Pensionados.)
- National Employment Fund (known as Fondo Nacional de Empleo)
- Social Security Integrated System (known as Sistema Integrado Previsional Argentino)
- Family allowances regime (known as Régimen de Asignaciones Familiares)

a) 21% for employers whose main business activity is related to trading or delivering services and whose average turnover of the last (3) three calendar years as from the last balance sheet or equivalent accounting records exceed $48,000,000. The above mentioned requests are both mandatory, regardless of the number of employees. There are certain exceptions with some companies.

b) 17% for all remaining employers not included in the aforementioned sub-section. Generally, it comprises industrial activities (without limit in turnover) and business and service activities where turnover does not exceed the $48,000,000 in annual average.

EMPLOYER CONTRIBUTIONS TO THE NATIONAL HEALTH INSURANCE SYSTEM

For both cases, said contributions are supplementary to the contributions to health insurances which, as regards to health services, will be comprised in said health system.

The rate to health contributions for employers rises to 6% on the amount of salaries paid.

OTHER WORK COSTS

There are also other items outside the Social Security Contributions’ Regime, such as life insurances and work risk insurances by the employer and some contributions arising from Trade Unions which vary as regards to the amount of each of them.
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