

Doing Business in Argentina

June 2022

The EY logo is positioned in the bottom right corner of the image. It consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned behind the 'Y'.

Building a better
working world



Index

1.	Overview	1
2.	Setting up a business	7
3.	The Argentine tax system	12
4.	Labor legislation	18
5.	Accounting and auditing standards	21

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1. Overview

1.1 Politics & government



Federal Government:

The country is divided into 23 provinces plus the autonomous city of Buenos Aires. Provinces have their own constitutions and executive, legislative and judicial branches of government. In addition, each province is divided into administrative units (i.e. municipalities) which are not autonomous but have their own budgets and administrative structures.

Form of Government:

Federal republic with three branches of government. Executive (President), Legislative (Congress) and Judiciary (Supreme and lower courts).

Congress:

Divided into two houses: the Senate and the House of Representatives. Members are elected by popular vote. In the case of the Senate, three members are elected per province for six-year terms. In the House, the number of members elected is proportional to the population of the province, and members are elected for four-year terms.

Presidential elections:

Held every four years in a variation on the two-round system: a candidate wins if he/she receives either 45% of the vote or 40% of the vote and is 10 percentage points ahead of the second-placed candidate. If these conditions are not met, a run-off takes place.

Demographics

Population:

46.234.830
inhabitants

Human Development Index (HDI):

0,84
2nd in Latin America and Nth
46 worldwide internacional

Adult population in the financial system:

95,3%⁴

Urban households with computer and Internet access:

63,8% and 90%

Demographic growth rate:

1,0% (2022)

University completion:

21%³

Literacy rate¹:

99%

Age distribution:

24% under 15 years old
64,1% between the ages of 15 and 65
11,9% over 65 years old

Population density:

16,6
persons per km²

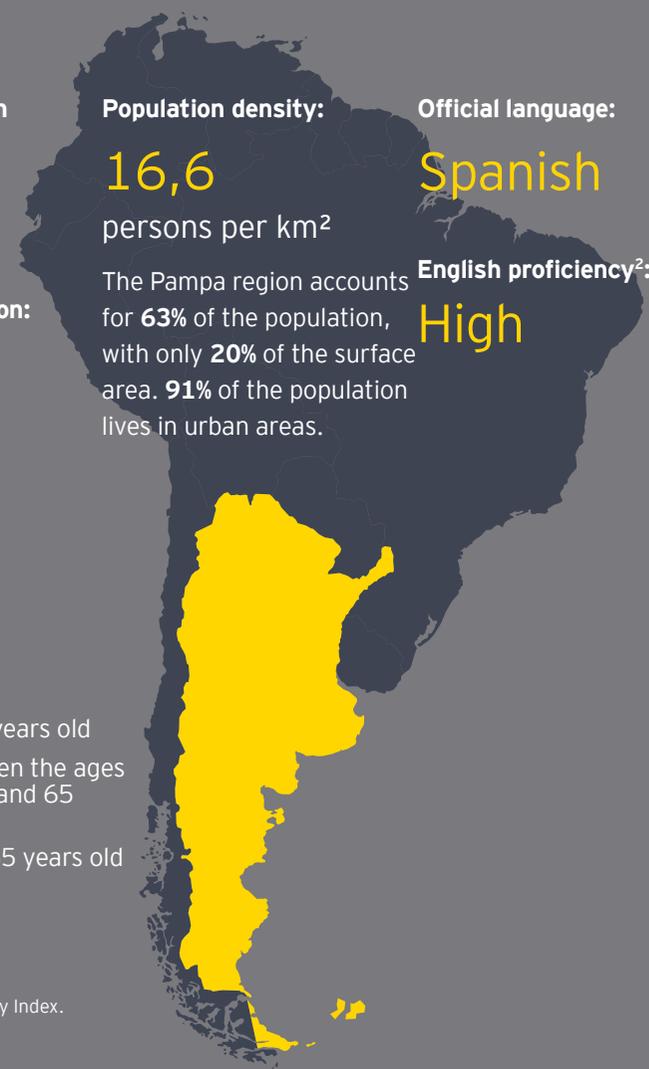
The Pampa region accounts for **63%** of the population, with only **20%** of the surface area. **91%** of the population lives in urban areas.

Official language:

Spanish

English proficiency²:

High



¹ Age 10 and over can read and write.

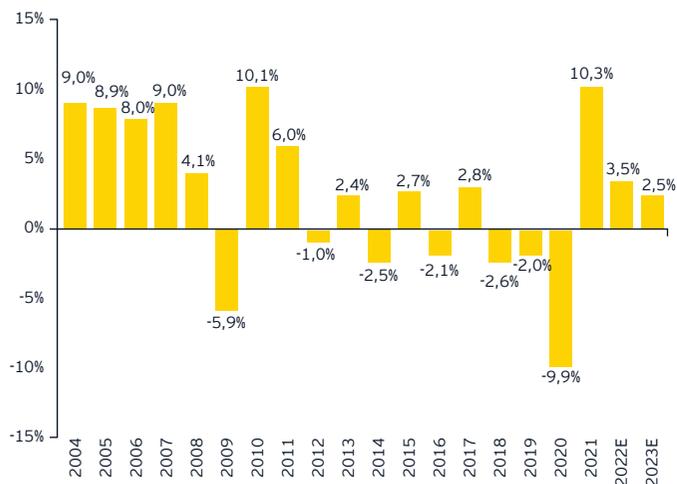
² Ranks 30th in the world according to the Education First English Proficiency Index.

³ Population aged up to 64

⁴ Percentage of adult population with at least 1 account.

1.2 GDP and economic activity

Real GDP growth



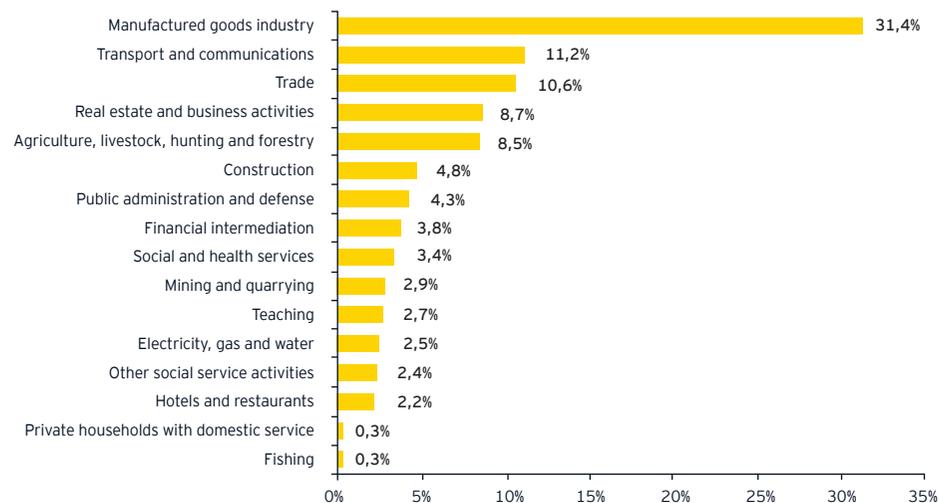
Source: own elaboration based on the INDEC (Argentine Statistics and Census Institute) and IMF.

Argentina is the third largest economy in Latin America after Brazil and Mexico. It is estimated that in 2022, its GDP will reach USD 564.27 billion with GDP per capita at USD 12,187 (USD 25,822 in PPP terms)³. As a result of the 10.3% growth in 2021 and an estimated 3.5% growth this year, pre-pandemic levels are expected to be recovered in late 2022.

Pre-pandemic levels are expected to be recovered in late 2022.

³Source: IMF.

Breakdown of GDP by economic activity. Average for 2016-2021



Source: own elaboration based on the INDEC.

Argentina has a highly diversified economy. The primary sector is internationally renowned for its high productivity levels and use of advanced technologies. Key sectors in Argentina's developed industrial base are agribusiness, automobiles, pharmaceuticals, chemicals and petrochemicals, biotechnology and design manufacturing.

The service sector is the largest contributor to total GDP, accounting for around 50% of the total.

Argentina is a leading producer of foodstuffs. It is one of the five main global producers of soybeans, soymeal, soybean oil, sunflower and corn; and among the top ten producers of barley, sorghum and wheat.

Argentina boasts the world's fourth-biggest unconventional petroleum oil reserve and the second-biggest unconventional gas reserve. Other valuable natural resources include gold, copper, lead, zinc, natural borates, bentonite, clays, and construction stone.

In the last few years, particularly due to the electric vehicle trend in the automotive industry, lithium -an extremely important resource for electric batteries- started to gain more significance. Argentina is the second country in the world, after Bolivia, with the largest amount of lithium resources (23% of total global resources), and the third one in terms of reserves. With the expansion of electric vehicle

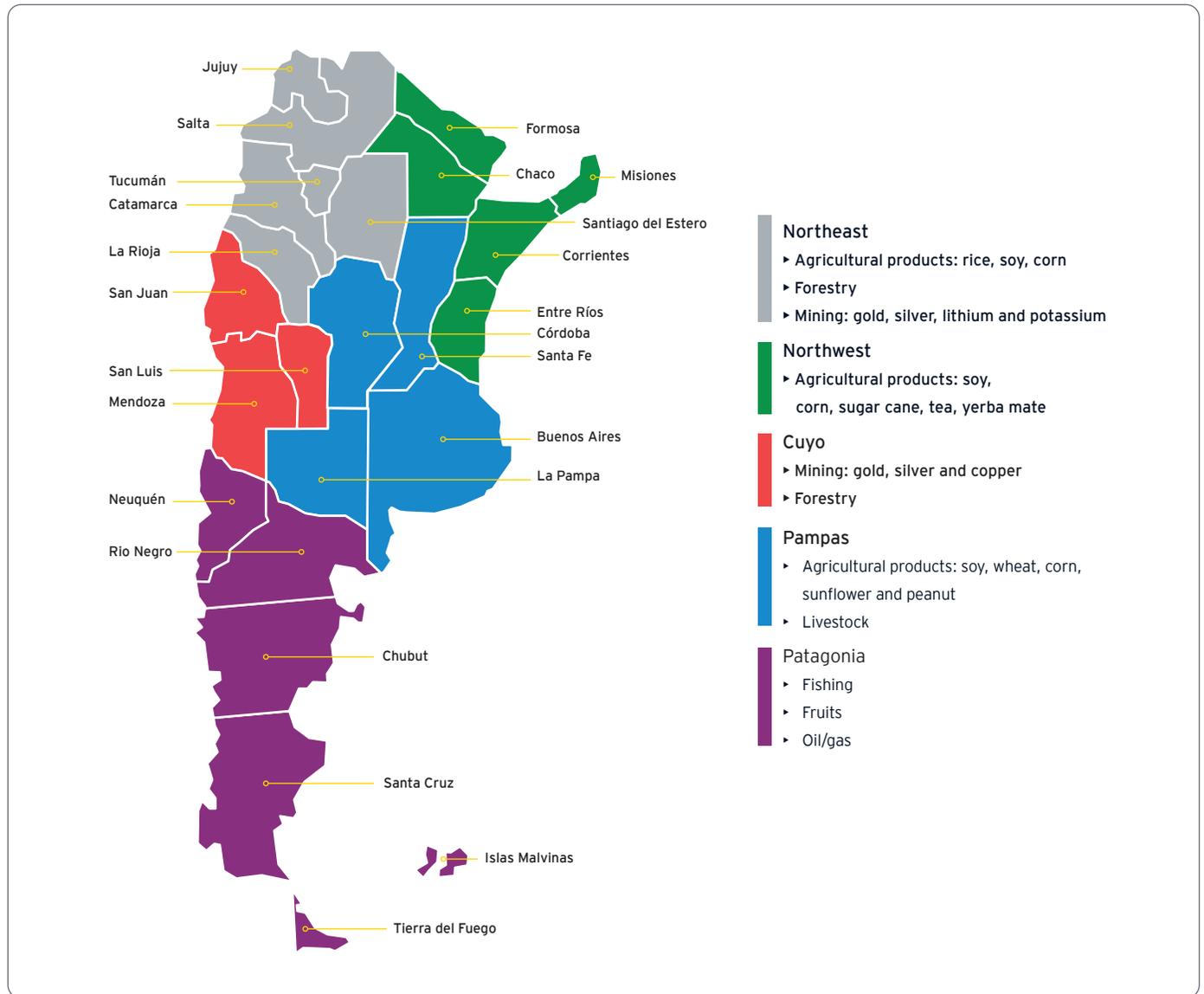
demand, the role of Argentina in this industry is gaining more importance.

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

With respect to services, the sectors with the largest share in gross value include transport and communications, followed by wholesale, retail, and repairs. The service sector leads the labor market as the largest job creator.

The provinces are usually grouped into regions: Argentine Northwest, Argentine Northeast, Cuyo, the Pampa Region and the Patagonia region.

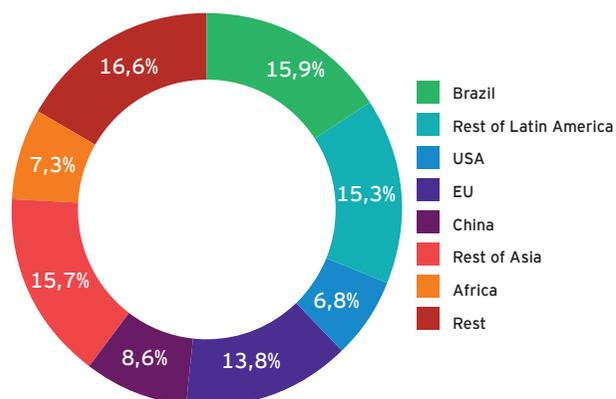
Argentina has valuable natural resources throughout its territory, which is added to the outstanding variety of climates that satisfy the needs of the different production processes. The most important sectors by region are as follows:



⁵ The figures are related to the 2019/2020 agricultural season.

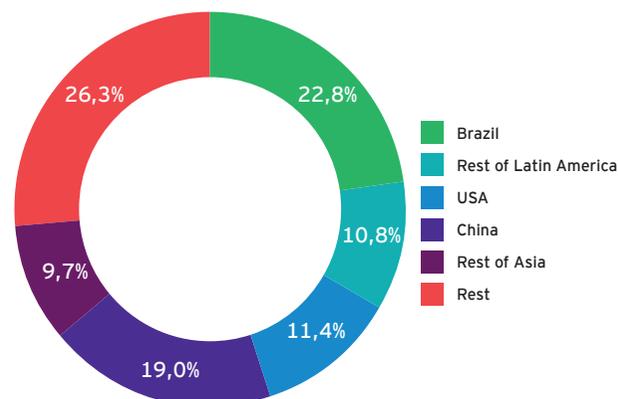
1.3 Foreign trade by partner

Exports of goods. Average for 2016-2021



Source: own elaboration based on INDEC.

Imports of goods. Average for 2016-2021



Source: own elaboration based on INDEC.

Argentina's main trade partners (imports and exports) are Brazil, China and the United States

- ▶ 65% of exports to Brazil are industrial manufacturing products, 60% of which is land transportation products.
- ▶ Over 65% of exports to China are soybean products.
- ▶ 10% of exports to the US are biodiesel and crude petroleum oils.

Imports:

- ▶ 19% of imports from Brazil are vehicles.
- ▶ 35% of imports from China are electrical and electronic equipment.
- ▶ 20% of imports from the US are machinery and 15% are mineral fuels, oils and distillation products.

Historically, Argentina has had a negative trade balance in terms of services (about 20% of all exports and imports), mainly related to tourism and freight. Two categories have a positive balance: a) business, professional, and technical services and b) computer and information services. Recent years have seen a strong consolidation of export-oriented services, mainly due to Argentina's highly-skilled human resources.

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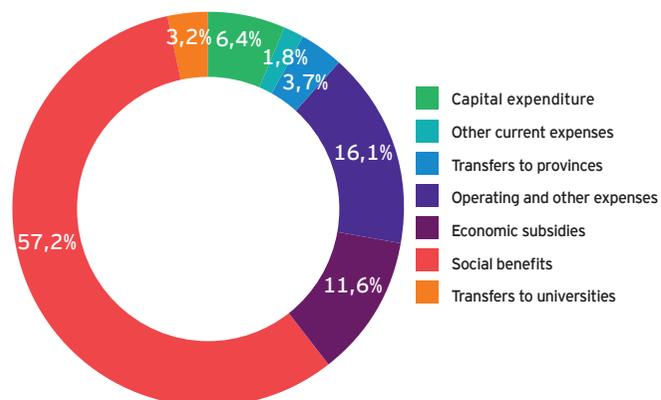
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1.4 Public sector

Over the past decade (2012 to 2021), tax pressure averaged 24.6 percentage points of GDP. Excise taxes on goods and services account for ARS 4.2 of every ARS 10 collected, whereas taxes on work-related income represent ARS 2.4 of every ARS 10, and ARS 2.1 of every ARS 10 are provided by taxes levied on income and capital gains. The remainder is divided into taxes on foreign trade and real estate taxes.

With respect to public expenditure, if we average years 2016 to 2021, we observe that 85% of expenses are concentrated in three areas: social benefits (57.2%), economic subsidies (11.6%) and operating expenses (16.1%).

Breakdown of public expenditure. Federal government (2016-2021 average)



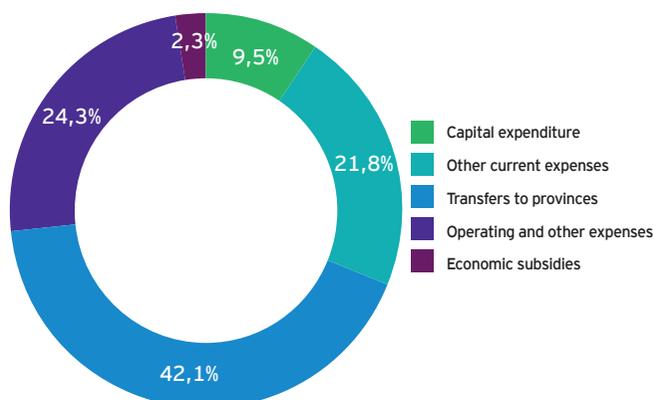
In 2020 Argentina was affected by the health crisis caused by the COVID-19 pandemic, which generated less revenues and more expenses, reaching a primary deficit of 6.5% of GDP. For 2021, the easing of health restrictions, especially

towards the end of the year, and the resulting economic recovery allowed reducing the primary deficit to 3 points of GDP.

The country-risk premium continued to be high, at about 1,500 basis points, within the context of an election year and the debt renegotiation with the International Monetary Fund, which was eventually signed in March 2022. With this new agreement, there will be significant payment to the IMF as from 2027.

At present one of the most complex challenges in Argentina as we enter 2023 is the increasingly high inflation.

Percentage of federal taxes. Average 2012-2021



Source: own elaboration based on MECON.

1.5 Monetary policy and capital flows

The BCRA (Central Bank of Argentina) is responsible for monetary policy.

Its purpose is to promote monetary stability, financial stability, employment, and economic development with social equity (within the framework of the policies set by the federal government). The current foreign exchange policy consists of a crawling peg system, whereby the BCRA makes small depreciations on a daily basis to prevent the actual foreign exchange rate from appreciating. In each round, the BCRA intervenes in the market to maintain the foreign exchange rate, satisfying demand, or from the purchasing side to increase the stock of reserves when supply is higher.

Restrictions continue to exist in the flow of capital and the purchase of foreign current (hoarding) by the general public due to the scarce international reserves. This applies also to the authorizations to pay imports.

In 2022, as part of a new agreement with the IMF, the BCRA began to increase the monetary policy interest rate, with the intention to obtain a positive rate in real terms. Another important matter of the program is that a cap was set to monetary financing to the Treasury.

1.6 Infrastructure

Over the last decade, and despite a history of strong infrastructure, Argentina dropped 23 positions in the Global Competitive Report published by the World Economic Forum (WEF), from 69th in 2006 to 92nd in the last edition.

In terms of transport infrastructure, national road & railroad systems extend over 35,000 km, maritime connections operate through 43 ports while air traffic connects to 53 airports.

Argentina has 40 port zones along its Atlantic coast:

- ▶ The city port in Buenos Aires is a hub for 60% of cargo containers in the country.
- ▶ 10 port zones in the province of Buenos Aires.
- ▶ 15 port zones along the Patagonian coast, mainly used to transport petroleum and fish.
- ▶ 3 port zones in the province of Santa Fe, mainly used for grain.
- ▶ 11 port zones in the northeastern region.

Main airports:

Aeropuerto Internacional de Ezeiza (Ministro Pistarini), in the province of Buenos Aires.

Jorge Newbery, in the Autonomous City of Buenos Aires.

Argentina has one of the most dynamic mobile communications markets in Latin America and the third largest in the region after Brazil and Mexico. Mobile penetration is around 120% (2020) and 54.8 millions of accesses. Although Argentina's broadband penetration is the third highest in Latin America, with Uruguay and Chile, its average download speeds, at about 5.5Mb/s, are

relatively low for the region. In 2021 progress was made in the implementation of the 5G network. At the end of the year, Enacom defined the frequencies that will be used for this technology, and Telecom started to install the antennas of this network in certain regions.

A total of 84% of Argentina's energy generation comes from conventional sources (gas & petroleum). The other 16% is a combination of hydropower, nuclear energy, mineral carbon, firewood, bagasse, vegetable oils, alcohol fuels, wind energy, and solar energy. In September 2021, a historical peak was reached in covering the power demand through renewable energies, reaching 28.8% of the total national amount. For the whole year, the renewable sources covered 13% of demand, and 1GW of installed power was incorporated, with an outstandingly higher contribution of wind energy.

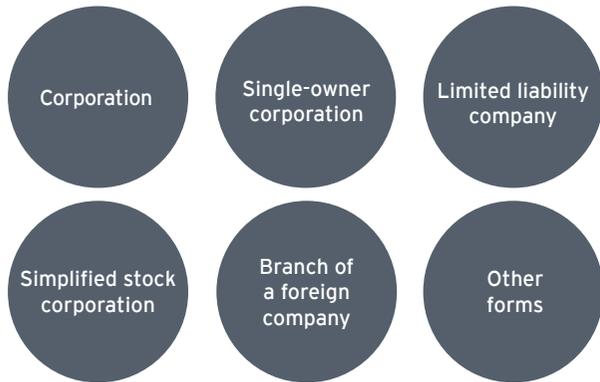
A recent announcement was made as to the construction of a gas pipeline linking Vaca Muerta with Buenos Aires, which will increase the gas supply to urban centers with greater concentration of people. It is expected to be concluded in 2024.

Argentina has one of the most dynamic mobile communications markets in Latin America.



2. Setting up a business

Business types



The most commonly used investment vehicles by nonresident individuals and foreign companies are: stock corporations (“*sociedad anónima*”), sole-member stock corporations (“*sociedad anónima unipersonal*”, simplified stock corporations (“*sociedad por acciones simplificada*”), limited liability companies (“*sociedad de responsabilidad limitada*”) and branches (“*sucursal*”).

The main characteristics of each of these five corporate structures, according to Argentine law and the regulations of the IGJ (Argentine regulatory agency of business associations), are set out below, provided that those companies are incorporated within the jurisdiction of Buenos Aires City.

Corporation (Sociedad Anónima or “S.A.”)

Capital is represented by shares of stock. Shares must be registered and nonendorsable. According to the rights they grant, shares may be classified into common or preferred shares.

- ▶ They are required to be incorporated through a public instrument.
- ▶ The transfer of shares is generally unrestricted, but certain restrictions may be included in the corporation’s bylaws or Articles of Association.
- ▶ The company must also have more than one shareholder.
- ▶ The shareholders’ liability is limited to the capital contributed by them. The minimum capital required is ARS 100,000. Cash contributions may be paid as follows: 25% upon subscribing the shares, and the remainder, during the next two years. Contributions in kind should be made in full upon subscription.
- ▶ If foreign business associations hold shares in a corporation incorporated in Argentina, they must previously register with the Public Registry of Commerce and provide evidence that their main activity is performed abroad.
- ▶ The shareholders are required to hold at least one annual meeting with a main agenda including the approval of financial statements, the allocation of profits and the appointment of directors and statutory auditors. A majority of the directors must be Argentine residents.
- ▶ Certain stock corporations that are subject to permanent state supervision should have an internal supervision body. Depending on the circumstances, this position may be fulfilled by an individual statutory auditor (síndico) or by a statutory audit committee (comisión fiscalizadora) appointed at the Shareholders’ Meeting.
- ▶ The corporate name should state Sociedad por Acciones or its abbreviation “S.A.”

Single-Owner Corporation (Sociedad Anónima Unipersonal or “SAU”)

General Business Associations Law No. 19,550 allows the incorporation of a single-owner corporation, a specific type of stock corporation. The special requirements of the SAU are as follows:

- ▶ Even though single-owner corporations are a specific type of company, they are subject to the regulations governing stock corporations.
- ▶ The shareholders’ liability is limited to the capital contributed by them. The minimum capital required is ARS 100,000. The whole capital must be paid in upon the incorporation.
- ▶ The management body may be formed by only one director.
- ▶ All single-owner corporations are subject to permanent state supervision and should have an internal supervision body formed by at least one statutory auditor and one deputy statutory auditor.
- ▶ Single-owner corporations cannot be shareholders of another single-owner corporation.
- ▶ The corporate name should state Sociedad Anónima Unipersonal, or its abbreviation “SAU”.

Limited liability corporations (Sociedad de Responsabilidad Limitada or “SRL”)

- ▶ Partners limit their liability to the par value of the subscribed membership interests.

- ▶ Membership interest transfers shall be registered with the Public Registry.
- ▶ It may be incorporated by virtue of a public or private instrument with certified signatures.
- ▶ The number of partners shall be at least 2 and shall not exceed 50.
- ▶ The administration is in charge of an individual or collegial management. The appointment of a statutory supervisor or supervisor committee is optional for those SRLs that do not exceed a capital amount of ARS 50,000,000.
- ▶ Whenever capital exceeds ARS 50,000,000, the management body shall comprise at least three members, and the supervision body shall include at least one statutory auditor and one deputy statutory auditor.
- ▶ Similar rules apply to stock corporations in relation to the liability of governance and management bodies.
- ▶ The corporate name should state Sociedad de Responsabilidad Limitada or its abbreviation "S.R.L."

Simplified stock corporation (Sociedad por acciones simplificada or "SAS")

- ▶ Members limit their liability to the par value of the shares that they agreed to subscribe to.
- ▶ The single-member simplified stock corporation cannot be incorporated by another single-member simplified stock corporation.

- ▶ The corporate name should state Sociedad por Acciones Simplificada, or its abbreviation "SAS."
- ▶ Simplified stock corporations must have one or more shareholders. Foreign natural and artificial persons may be members.
- ▶ Minimum capital is two adjustable minimum sustenance salaries (about USD 850.)
- ▶ The administration is under the charge of an individual or collegial management body. It is optional to appoint a statutory auditor or a statutory audit committee. At least one deputy manager should be appointed in case the Company has no supervision body.
- ▶ At least one of the members of the supervision body should be an Argentine resident.
- ▶ Simplified stock corporations are governed by regulations that are similar to those of stock corporation in relation to members' and managers' liability.
- ▶ The meetings of the management board and the members may be held remotely.
- ▶ Corporate and accounting books are digital.
- ▶ They cannot be subsidiaries or affiliates of a company subject to permanent state supervision if more than 30% of their capital is involved.
- ▶ They cannot make a public offering of their shares, have an equity interest in a state-owned company, or perform capitalization, savings or any other transaction requiring money or assets from the public with the promise of future services or benefits; neither can they operate concessions or public utilities.

Branch of a foreign company

- ▶ These entities must be duly organized under the laws of their country of origin, prove the existence of their head offices abroad, register the articles of association or bylaws with the Registry of Public Commerce, and appoint and register a legal representative.
- ▶ The companies organized abroad that request their registration as special-purpose companies should be reported as such upon registration in Argentina. The condition as a special-purpose company will not be admitted in a supervening manner.
- ▶ Branches are required to keep books separately from those of their head offices in relation to the operations carried out in Argentine, and to file their financial statements before the Public Registry. In principle, it is not required to allocate capital from the foreign company to the Argentine branch, except as required by regulations (i.e. insurers or reinsurers).
- ▶ The IGJ requires foreign companies to comply with an annual information system. Thus, they should report the main activity performed abroad and individually identify the partners. In addition, the foreign companies' legal representatives should provide a guarantee, similar to that requested from local companies' directors.

Other forms of investment entities and business participation

Partnerships (*sociedades colectivas*)

According to General Business Associations Law, all partners are jointly liable for the obligations of the partnership once assets are realized. This liability is also

unlimited and joint and several. There is no minimum capital required and its liquidation must be decided unanimously by the partners.

Temporary associations of business enterprise (uniones transitorias)

The purpose of these temporary associations is to develop or execute specific works, services or supplies, within or outside Argentina. They can also develop or carry out activities or services that are supplementary and accessory to the main purpose. A non-resident corporation may be a member of a local UTE as long as it complies with the same registration required by the local regulator for the incorporation of a branch of foreign entities. The temporary association is formalized through the execution of an agreement. Both the agreement and the legal representatives must be registered with the IGJ. They must keep records separately from those of their members. They must submit balance sheets within 120 days from year-end to the IGJ, together with an independent certified public accountant's report containing an opinion.

Cooperating groups (agrupaciones de colaboración)

The purpose of this type of groups is to create a common organization between several parties, either companies or individuals, to facilitate or develop certain phases of its members' activities, or to improve or increase results from such activities. As with UTEs, this agreement does not create a separate entity beyond its members. Cooperating groups are formalized through the execution of an

agreement; both this document and legal representatives must be registered with the IGJ. They must keep records separately from those of their members. They must submit balance sheets within 120 days from year-end to the IGJ, together with an independent certified public accountant's report containing an opinion.

Cooperating consortium agreement (consorcios de cooperación)

Their nature and characteristics are similar to those of cooperating consortiums. However, their members may decide not to be jointly and severally liable for the obligations assumed by the legal representatives of the consortium. Just as the temporary association, this consortium is formalized through an agreement. Both this agreement and the legal representatives must be registered with the IGJ. They must keep records separately from those of their members. They must submit balance sheets within 120 days from year-end, together with an independent certified public accountant's report containing an opinion.

Trusts (fideicomisos)

The trust, which has a contractual basis according to Argentine law, allows the partners in an endeavor to isolate certain assets or property to use them for specific purposes.

According to the local legal framework the trustee may be the beneficiary of the trust, however in such cases the trustee must avoid any conflict of interest and must exercise its rights privileging the interests of all parties involved. The trustee may not be the final beneficiary of the trust.

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

Trusts must be registered with the relevant public registry.

Regulatory framework



Financial activities

Pursuant to the Financial Entities Act No. 21,526 (FEA), which governs banking and financial activities in Argentina, the BCRA is responsible for a) regulating and supervising

all financial institutions, b) authorizing the operation, merger and transfer of the banking aspects of financial institutions and c) authorizing the establishment of foreign bank branches and representative offices.

Insurance activities

According to Law No. 12,988 (as amended) only insurers duly authorized by the SSN (Argentine Superintendence of Insurances) may insure persons, goods and any other insurable interest of national jurisdiction. In addition, Law No. 20,091 establishes that the following types of business entities may perform insurance activities in the country:

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

Capital markets regulations

The Argentine capital market is governed by Capital Market Law No. 26,831. In addition to the general rules set forth by law, the CNV (Argentine Securities Exchange Commission) completed regulatory framework through Resolution No. 622/2013.

All agents or issuers shall be duly authorized and registered before the CNV and must comply with the requirements determined by the CNV.

Oil & gas

Exploration and production activities are regulated by Law No. 17,319, as amended (the “Hydrocarbons’ Law”), and by subsequent federal and provincial decrees and resolutions. Hydrocarbon exploration, development and production require an exploration permit or a production concession granted by the Federal Government or a province, depending on the location of the reserves. Law No. 13,660, enacted in 1949, provides the basic legal framework for downstream activities and must comply with provincial and municipal regulations regarding technical, safety and quality standards.

In order to obtain an exploration permit or a production concession, the applicant must go through a competitive bidding process. To be able to qualify for concessions or permits, all applicants must register at the Ministry of Energy and Mining and at the pertaining provincial authorities as an oil company. In order to transport hydrocarbons through pipelines, any individual or legal entity must hold a concession from the federal or provincial authorities.

Mining

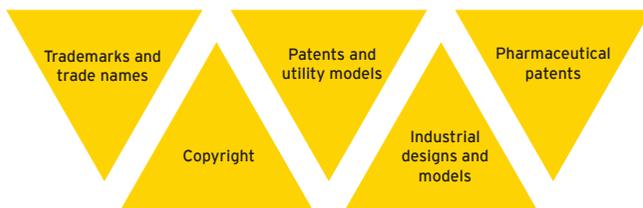
Mining activities in Argentina are governed by the Mining Code, enacted in 1886 as Law No. 1919, and amended on several occasions thereafter. Local and foreign individuals and legal entities may be granted a concession to explore and develop the minerals in a specific area. As per the fees that the concessionaire must pay for the concession granted, an annual royalty is established by the Argentine Congress and must be paid to the Federal Government or the Provincial Government, depending on the jurisdiction

where the mine is located. Mining activities have special tax incentives that should be carefully analyzed during the decision-making for a new investment in the area.

Energy and natural resources

The electricity sector was reformed and privatized in 1992 by the federal and provincial governments. At the federal level, the legal framework is composed by Law No. 24,065 and its administrative orders, including Presidential Decree 1398/1992, among many other decrees and resolutions from the regulating agencies. This legal framework created four vertical divisions within the electricity sector: generation, transmission, distribution and demand. As a complement of the general legal framework in the electricity sector, in December 2006 and in October 2015 the Argentine Congress passed Laws No. 26,190 and 27,191 that set the rules that govern the generation, co-generation and auto-generation of electricity through renewable sources of energy. The regulatory framework under “renewable sources of energy” includes the following: solar power, wind power, geothermal power, tidal energy, hydraulic power and biomass, among others. The regulatory framework grants certain tax benefits to the individuals or entities in charge of qualified projects. In order to obtain these benefits, applicants must file their projects before the Ministry of Energy and Mining and receive a Certificate of Inclusion to the “Renewable Sources of Energy Program.”

Intellectual property protection



Trademarks and trade names

Trademarks and trade names are governed by Trademark Law No. 22,362 and its regulatory decree. The law provides protection on ownership of a trademark and its exclusive use, after its registration with the INPI (Argentine Trademark Office). The duration of a trademark registration, and thus its protection, is ten years from the grant date and is renewable indefinitely for periods of ten years, provided certain requirements related to its use are complied with.

Patents and utility models

Patents and utility models in Argentina are regulated by Law No. 24,481. This law provides that patents will be granted for any invention that complies with certain requirements: mainly (i) novelty; (ii) inventive step; and (iii) industrial application. The law awards a 20-year protection term as from the date of application of each patent. Foreign individuals or legal entities must establish a legal domicile in Argentina for the application process. The award must be registered with the INPI to be effective against third parties.

Pharmaceutical patents

Regulation, rights granted and enforcement of these patents are, in general terms, identical to that of other non-pharmaceutical patents. However, its regulation is complemented by INPI's, Ministry of Production and Ministry of Health Joint Resolution Nos. 118/2012, 546/2012 and 107/2012. The referred regulation severely restricts the patentability of several categories of inventions in the pharmaceutical field.

Industrial designs and models

Industrial models or design registrations are granted to protect industrial production rights. In order to apply for these certifications any foreign individual or legal entity must establish a legal domicile in the City of Buenos Aires. If the design or model was not used or publicized in Argentina before, the certification will grant protection for a five-year term, renewable for two further terms of five years each. Renewals must be applied for not later than six months prior to the expiry of the current protection period. If a design application has been filed abroad, an application for a design registration in Argentina must be filed within six months of the filing date of the foreign application.

Copyright

The legal framework for copyright regulation is set out in Law No. 11,723, as amended (the "Intellectual Property Law" or "IP Law").

Protection under the IP law includes scientific, literary, artistic or educational works, regardless of the processes used for their reproduction.

Protection of foreign investment

Foreign investors and their investments are protected by Argentine law. National and international provisions ensure Argentina is a safe destination for foreign investment and foreign investors. For instance, Argentina has signed almost sixty bilateral investment promotion and protection treaties and enacted Foreign Investment Law No. 21,382 to protect foreign investments in Argentina. Argentina became an ICSID member in 1994 and has been an Observer of the Investment Committee of the OECD since 1996. Furthermore, the country is a member of the Multilateral Investment Guarantee Agency (MIGA) and a member of the World Bank Group, which provides insurance coverage for foreign investments made by persons or legal entities established in member countries.

3. The Argentine tax system

Main taxes

Federal, provincial and municipal governments levy taxes in Argentina. The federal government imposes an income tax, value-added tax, personal assets tax, excise tax, tax on financial transactions and customs duties. Provincial and municipal jurisdictions levy turnover taxes, real estate taxes, stamp duties, taxes on vehicles and taxes on public advertising, amongst others.

Federal taxes	<ul style="list-style-type: none">▶ Income tax▶ Value added tax▶ Minimum presumed income tax▶ Personal assets tax▶ Excise tax▶ Tax on bank account transactions▶ Customs duties
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Provincial and municipal taxes	<ul style="list-style-type: none">▶ Turnover tax▶ Real estate taxes▶ Stamp tax▶ Tax on vehicles▶ Tax on public advertising▶ Other taxes
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Filing procedures and tax payments

The Argentine tax system is based on the principle of self-assessment. The federal tax laws require taxpayers to file annual or monthly returns to report their taxable income, determine their tax liability, deduct any taxes withheld or paid in advance, and pay any balance due.

The corporate income tax return must be filed within five months after the end of the company's fiscal year. The tax year for individuals is the calendar year.

Individuals whose sole earnings are employee compensation are not required to file an individual income tax return for the year, provided that the relevant amounts are not exceeded. Instead, their employers are required to withhold income tax monthly, and this tax is considered final.

Foreign taxpayers not established in Argentina are not required to file a tax return if their income tax liability is fully satisfied by withholding taxes on Argentine-source income.

Calculation of tax

Tax laws establish very detailed rules on how taxes should be calculated. In general, the calculation is based on known facts, such as those shown in the books kept by the taxpayer or in the documentation kept on file. Only when no detailed information has been provided by the taxpayer or no proper books of account are being kept, or the information or records prove to be incorrect or incomplete, may the tax authorities turn to legal assumptions to establish the tax obligation of the taxpayer at issue.

Corporate taxation

Corporate income tax

- ▶ **Resident companies:** Corporate income is subject to taxation at the corporate level.
- ▶ **Dividends:** The dividends of resident companies are subject to withholding when allocated to foreign parties or individual residents.
- ▶ **Rates:** The companies, even foreign companies' subsidiaries, are subject to rates ranging between 25% and 35% according to the following breakdown:
 - ▶ For net taxable income up to ARS 5 million: 25% rate on net taxable income.
 - ▶ For taxable income from ARS 5,000,001 through ARS 50 million: a fixed amount of ARS 1,250,000 plus 30% over net taxable income exceeding ARS 5 million.
 - ▶ For taxable income exceeding ARS 50 million: a fixed amount of ARS 14,750,000 plus 35% over net taxable income exceeding ARS 50 million.

In addition, the rate on dividends is 7% for income earned in tax years beginning as from January 1, 2018.

- ▶ **Territoriality:** For resident companies, worldwide income is taxable, including income of foreign branches and subsidiaries. Income of foreign subsidiaries is taxable on a general basis only in relation to dividends actually paid, except upon the application of the specific regulations on tax transparency, in which case the Argentine company is taxed on the allocable share of the subsidiary's

income regardless of whether dividends are paid. The companies organized under Argentine laws and the foreign companies' branches and other permanent establishments are considered resident companies for tax purposes. They are required to keep separate books and records in Argentina.

- ▶ **Business income:** Business income includes income from the sale of goods, depreciable assets, shares or real estate; income from dividends other than from resident companies; interest; royalties and fees; and foreign-exchange gains. The only type of business income for which the law specifically defines "gross profit" is that derived from the sale of inventories; it is defined as net sales less the cost of acquisition or production. Other gross profit may be determined by any appropriate, technically sound and consistently applied accounting procedures.
- ▶ **Capital gains:** Companies' capital gains are not subject to a specific tax. They are included within the income tax scope and, therefore, they are subject to the current rates ranging between 25% and 35%
- ▶ **Net operating losses:** Net operating losses may not be carried back, but may be carried forward for a maximum of five years.

Important issues

- ▶ **Regulations on the limitation of interest deduction:** Local companies -except for financial institutions- shall apply these rules to financial transactions with related parties. Interest shall be deductible up to an amount to be assessed by the Federal Executive (currently set at ARS 1,000,000) or 30% of the Argentine company's

EBITDA, whichever higher. The regulations admit that the unused surplus accumulated in the three immediately prior years may be added to the applicable limit. In addition, any nondeducted interest may be carried forward to the five immediately following tax years.

- ▶ **Transfer pricing rules:** Argentine regulations on transfer pricing require that prices in transactions between related companies abroad be consistent with prices that would have been charged in similar transactions performed on an arm's length basis.
- ▶ **Royalties:** In general, royalties are deductible and subject to withholding tax. The withholding rate depends on the nature of the service and compliance with the local legislation on transfers of technology. The rates are 21%, 28% and 31.5%. The deductibility of trademark and patent royalties is limited to 80% of the gross payment made to non-resident entities.
- ▶ **Interest:** Interest is a deductible expense and is generally subject to withholding tax when paid to foreign beneficiaries at the rate of 15.05% or 35%.
- ▶ **Specific losses:** Tax losses arising from the sale of stock or other securities, losses from activities producing foreign-source income and losses incurred in derivative transactions (excluding hedge transactions) can only be offset against income arising from similar transactions.

Nonresident companies

Foreign companies are taxed only on income generated in Argentina. They are generally imposed withholding taxes at different rates, depending on the nature and origin of income.

Import-related income

Income earned by a foreign company from imports into Argentina is not taxable, provided the ownership of goods is transferred overseas, and the local purchaser clears the goods through the Argentine customs.

Portfolio income

Proceeds from the sale of shares of local companies are subject in general to tax at a 13.5% rate on the sale price or at a 15% rate on net income (taxpayer's choice). In the case of shares listed in Argentine markets, an exemption shall apply to the extent that foreign investors do not reside in noncooperative jurisdictions or the invested funds do not derive from noncooperative jurisdictions.

In addition, the interest, returns and capital gains of the following securities obtained by the abovementioned foreign beneficiaries shall be exempted: (i) government securities issued by the federal, provincial, municipal and Buenos Aires governments; (ii) corporate bonds, debt securities from financial trusts and mutual fund shares placed in a public offering; and (iii) securities issued abroad and representing the shares of Argentine companies (e.g. ADRs).

The abovementioned exemption shall not apply in the case of LEBACs (BCRA bills).

Foreign companies are taxed only on income generated in Argentina.

Other federal taxes

Value-added tax (VAT)

Value-added tax (VAT) is a general tax on consumption within the Argentine territory. It is levied on the delivery of assets, the granting of loans or the provision of services by any individual or artificial person performing an economic activity, the import of goods and services, and the provision of digital services. VAT is reported and paid monthly, based on an online system designed by the tax authorities. Services rendered and loans granted from abroad but used by VAT payers in Argentina are taxable. The payment thereof will be used as a VAT credit.

The general rate is 21%. A higher rate of 27% is applied to electricity, natural gas and water supplied to business activities.

The rate of 10.5% is applied to some activities. For example, to the construction industry only with respect to the construction of dwellings. This rate also applies to interest and commissions paid on loans granted by local financial institutions. Capital goods, whether imported or manufactured, are subject to a 10.5% VAT rate. The taxpayer's credits that originate as a consequence of these transactions can be refunded with certain limits.

Exports of goods and services are included in the scope of VAT, but they are taxed at a zero rate (0%). This means that VAT is not levied on the output, but the VAT paid on inputs may be recovered through tax refunds, which should be requested by the taxpayer.

Personal assets tax

All individuals domiciled in Argentina are subject to a tax upon their worldwide assets. Individuals not domiciled in Argentina are only liable for this tax upon their assets located in Argentina. The parties with no domicile in Argentina are subject to progressive rates up to 2.25%. The tax applicable on shares and other equity interests in local companies for shareholders not domiciled in Argentina is paid by the local company itself. The applicable rate is 0.50% on the net worth value of the company.

Tax on bank account transactions

The general tax rate is 0.6% (six per thousand) for credits and 0.6% (six per thousand) for debits on the amounts credited to or debited from the taxpayer's bank account. A total of 33% of the tax paid both on the credits and debits on bank accounts can be considered as a tax credit towards income tax.

Excise tax

Excise tax is imposed by the federal government on the sale, transfer or import of specific products, based, in general, on the invoiced amount. The main items subject to this tax are tobacco and tobacco products, alcoholic beverages, soft drink concentrates and soft drinks, diesel engines and cars, cellular phone services, electronic products and insurance premiums. This tax does not apply to exported items. The excise tax rates vary depending on the item.

Local and provincial taxes

Turnover tax

Local governments impose tax on the turnover (revenues) of businesses. Tax rates vary depending on the type of activity and jurisdiction (there are 24 jurisdictions). Farming and cattle raising, mining and other primary activities are taxed at about 1%, industrial activities at 1.5%, commerce and services in general at 3% to 5%, and financial and intermediary activities at 5.5% or 8%. The rates are applied to the total amount of gross receipts accrued in the calendar year. Exports of goods are tax exempt.

Stamp tax

Stamp duty is levied on the execution of public or private instruments. It is payable in the jurisdiction in which the economic transaction is documented but it may also be applicable in the jurisdiction in which it has effects.

Documents subject to this tax include, among others, all types of contracts, deeds, invoices confirmed by a debtor, promissory notes and negotiable instruments. In general, the taxable basis is the economic value of the agreement. In general, the applicable rate is 1%, although it can vary depending on the type of deed and on the legislation of the jurisdiction imposing this tax. In the case of real estate sales, among others, the rate can be 3.6%.

Real estate taxes

Local governments assess the value of local real estate and levy a progressive real estate tax on the assessed values. Local governments may also charge rates for lighting, sweeping and cleaning services.

Tax incentives

Mining promotion

Eligible entities must develop mining activities in Argentina, or create an establishment in Argentina for that purpose. In order to be eligible, the project must be located in the territory of the provinces under the incentive scheme. The incentives are granted for the prospecting, exploration, development, preparation, extraction and certain processing of minerals.

Eligible projects receive, among others, the following tax benefits:

- ▶ **Tax stability:** Except for VAT and social security contributions, the total tax burden (federal, provincial and municipal taxes) may not be increased during 30 years from the filing of feasibility studies. Special rules regarding deductibility and depreciation apply.
- ▶ **Royalties:** Royalties charged by provinces are limited to 3% of the value of the mineral extracted and transported before any transformation process.

Training-related tax credit system

A tax credit is granted on qualifying investments made or expenses incurred by companies in training their human resources, whether in open (delivered by public or private entities) or closed (courses tailored to the company) activities.

For large companies, the tax credit may not exceed 0.8% of the annual payroll (8% for micro, small and medium-sized enterprises). The tax credit may be used to pay any federal tax (e.g. Income tax, VAT).

Investment projects in capital goods and infrastructure

The regime grants tax benefits for investments in new movable depreciable capital assets that are used for industrial activities, excluding vehicles and civil engineering projects.

The tax benefits available under the regime, primarily, consist of either:

1. the option of obtaining an early refund of the input VAT attributable to either the capital assets or the infrastructure project included in the investment project; or
2. the application of an accelerated depreciation of specific assets, subject to certain conditions.

The benefits under (1) and (2) are only available together in respect to investment projects which are intended exclusively for the export market.

Knowledge economy promotion system

The law establishes tax benefits for certain activities including software development, audiovisual production or postproduction, biotechnology, geological or prospecting services, services related to electronics and communications, professional services, nanotechnology and nanoscience, aerospace and satellite industry and space technologies, among others.

Provided that certain requirements are met, the main benefits include:

- ▶ A decrease up to 60% of income tax according to the company's size.

- ▶ Exemption to pay export duties.
- ▶ Bonus to pay federal taxes equal to 70% of employer contributions on personnel engaged in the activities subject to the promotion system (the benefits amounts to 80% in some cases).

Biofuel industry

The law defines biofuel as bioethanol, biodiesel and biogas produced with raw material from agriculture, agro-industrial and organic waste, which complies with the quality standards established by the applicable authorities.

The main tax benefits available under this system are the following:

- ▶ accelerated depreciation/amortization of equipment and investments for income tax purposes;
- ▶ early refund of VAT on purchases of fixed assets and investments in infrastructure;

Modern biotechnology

The regime grants tax benefits for those who submit research, development and production projects based on the application of modern biotechnology.

The main tax benefits are:

- ▶ accelerated depreciation for income tax purposes and VAT early refund of fixed assets, and
- ▶ credit certificate for 50% of the social security contributions paid.

Tierra del Fuego

The industrial promotion system ruled by Law 19640 states that activities and operations carried out in the National Territory of Tierra del Fuego, or assets existing in that Territory, are exempt from all national taxes (in the case of some specific taxes, reduced rates may apply).

Regarding customs duties, the benefits include the exemption or reduction in taxes that levy the imports and exports of movable property.

It is important to mention that in order to claim the tax exemptions, the activities need to be performed in Tierra del Fuego's territory.

Double taxation conventions

Argentina has executed double taxation treaties with the following countries: Germany, Australia, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, United Arab Emirates, Spain, Finland, France, Netherlands, Italy, Mexico, Norway, Qatar, United Kingdom, Russia, Sweden, Switzerland and Uruguay. In addition, a number of treaties concerning the income tax exemption for international transport are in force.

Exporting to/from Argentina

Import regulations

Argentine customs authorities have incorporated the Harmonized System Codes (HS codes) to classify goods and assign tariffs, which is the basis for the Mercosur Common Nomenclature (NCM), applicable

to the Mercosur member-countries. Basic rates are calculated on the CIF (cost, insurance and freight) value of imports. Tariff rates vary according to the different kinds of goods and range from 0 to 35%. Depending of the tariff classification of the goods, imports may also be subject to a 3% statistics fee (with certain caps).

In addition, imports are subject to VAT. The VAT rate may be 21% or 10.5%, depending on the classification of the goods, and is calculated on an amount equivalent to the addition of the customs value, the import duties and the statistics fee. The imports of certain goods are also subject to excise taxes.

The import of goods is subject to the advance payment of certain taxes (VAT / income tax / turnover tax advances). These charges are actually the advances for VAT, additional VAT withholdings, income tax and turnover tax liabilities that the importer shall pay in relation to its activities (sales, services, supplies, etc.) in the domestic market. For example, the income tax early payment is a credit towards the importer's annual income tax payment. These early payments do not apply if the importer considers that goods are fixed assets for accounting purposes or if importers obtain certain tax exemption certificates. The VAT early payment rate is 20% or 10% (depending on the classification of the goods); the income tax advance rate is 6%; and the turnover tax early payment rate is 2.5%.

For intra-Mercosur trade, special regulations apply. The applicable import duty rate is 0%. The statistics fee is not applicable. Eligible products must have a certificate of origin from a Mercosur member-country showing that a sufficient manufacturing process occurred within a Mercosur member-country.

According to the SIMI (overall import monitoring system), in order to obtain an import license (which, depending on the product, may be an automatic license or a nonautomatic license), the importer shall enter certain information into the AFIP's website. This information will be shared with all the agencies involved in the clearance of goods through the Foreign Trade Single Window ("Ventanilla Única de Comercio Exterior" - "VUCE"). Authorities may request additional information.

Export regulations

Argentina established export duties applicable to exports for consumption of all goods included in the different tariff headings of the Common Mercosur nomenclature. The rate depends on the type of exported goods.

It also introduced through December 31, 2020, service export duties to be assessed in US dollars at the 5% rate on the amount from class "E" electronic invoice issued for the export of services adjusted by the related credit or debit memos.

The selling exchange rate set by Banco de la Nación Argentina effective as of the end of the business day prior to export duty payment should be used for their conversion into Argentine pesos.

Common market of the Southern Cone (Mercosur)

On March 26, 1991, Argentina, Brazil, Paraguay and Uruguay signed a treaty stating a gradual reduction in import duties on trade among the 4 countries. The full implementation of this treaty started as of January 1, 1995, with elimination of the import duties among the 4 countries. Chile and Bolivia

signed free trade agreements with Mercosur. The Mercosur has also signed preferential trade agreements with other ALADI countries (Mexico, Colombia, Ecuador, Peru, Cuba) with the end goal of creating free trade areas. There are also trade agreements with India and Israel.

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Argentine foreign exchange system

The Argentine Executive decided to adopt temporary and urgent measures to heighten restrictions on the foreign exchange market aimed at consolidating the normal operation of the economy and contributing to a prudent management of the foreign exchange market; reducing the volatility of financial variables, and containing the impact of the changes in financial flows on the real economy.

To such end, on September 1, 2019, Presidential Decree No. 609/2019 determined, among other matters, the obligation to enter into Argentina the consideration of the export of goods and services in foreign currency or to negotiate in the foreign exchange market under the terms and conditions set by the BCRA.

It also set forth that the BCRA establish the cases in which access to the foreign exchange market to acquire foreign currency and minted precious metals and transfers abroad will require previous authorization, based on objective guidelines subject to current foreign exchange market conditions and making a distinction between the situation of individuals and that of artificial persons, and also empowered the BCRA to issue regulations to prevent practices and transactions -using government securities and other instruments- aimed at infringing the measures established by the decree.

In exercise of these powers and to implement such regulations, on September 1, 2019, the BCRA issued Communiqué "A" 6770, as well as supplementary and clarifying regulations, which establish the following issues, among others:

- ▶ The collections from **goods exported** should be entered into Argentina and converted into Argentine pesos within certain calendar days according to the tariff heading of the exported goods. They may vary between 15, 30, 60, 180 and 365 calendar days. However, had the exporter collected exports before the aforementioned term, it should enter the currency into Argentina and convert it into Argentine pesos within five business days.
- ▶ **Service exports** collected should be entered into Argentina and converted into Argentine pesos no later than 5 business days as from its collection or crediting in foreign accounts.
- ▶ Prior authorization is required for the early payment of payables from **imported goods and services**. Certain

requirements should be considered upon paying past due or demand payables for imported goods prior to June 2020. The BCRA's prior authorization is requested for the payment of services to foreign affiliates.

- ▶ The BCRA's prior authorization is requested for the **creation of external assets** by artificial persons, local governments, mutual funds and trusts, among others.
- ▶ The BCRA's prior authorization is required for the creation of external assets and family loans and provision of guarantees in derivative transactions by natural persons should they exceed USD 200 during the calendar month.
- ▶ **Financial payables** abroad disbursed as from September 1, 2019, should be entered into Argentina and converted into the foreign exchange market. Compliance with this requirement should be evidenced to access the foreign exchange market for settling principal and interest. The BCRA's prior authorization is required to settle capital services related to financial payables between related parties.
- ▶ The BCRA's prior authorization is required for the remittance of **profits and dividends**.

It should be evidenced that all financial and commercial payables had been reported in the **information system under BCRA Communiqué "A" No. 6401** upon accessing the foreign exchange market to settling them.

4. Labor legislation

A general Employment Contract Law, complemented by additional laws and statutes for specific activities, regulates employment conditions across the country. The law does not apply to government employees and other specific areas, whose work conditions are covered by separate regulations.

Payroll taxes

The rates applicable to employer and employee contributions are shown in the table below. Other minor payments apply in certain circumstances, for example in case of collective bargaining agreements and/or provincial taxes.

A general Employment Contract Law, complemented by additional laws and statutes for specific activities, regulates employment conditions across the country.

Summary of the rates applicable to employer and employee contribution

	Employer (%) ⁶	Employer (%) ⁷	Employee %
Pension fund	12,35 (a)	10,77 (a)	11,00 (c)
PAMI (Argentine federally-managed healthcare system available to senior citizens)	1,57 (a)	1,59 (a)	3,00 (c)
Statutory health care organization	5,40 (a)	4,70 (a)	-
Federal unemployment fund	1,08 (a)	0,94 (a)	-
Medical care	6,00 (b)	6,00 (b)	3,00 (c)
TOTAL	26,40	24,00	17,00

References:

- These percentages are effective from February and apply to total compensation without any limit. The amount of ARS 7,003.68 (seven thousand three Argentine pesos and sixty-eight cents) will be deducted from each payroll employee's tax base over which the social security contribution rate is applied as gross compensation. In addition, certain sectors, such as "health" may deduct ARS 17,509.20.
- These percentages apply to total compensation without any limit.
- These percentages apply to the employee's compensation up to the monthly cap of ARS 357,166.98 (effective as from March 1, 2022). This cap is updated on a quarterly basis every year.

The employers may compute a VAT credit for the contributions paid, the amount of which will depend on taxable income and the region in which the employees are located, pursuant to section 21, Law on Social Solidarity and Production Reactivation, within the context of Public Emergency Law No. 27,541 and its Schedule I.

⁶ Private-sector employers mainly engaged in the "Services" or "Trade" sectors, provided that their annual billing exceeds the limits set to be classified as tranche 2 medium-sized enterprise. At present, the values are ARS 940,220,000 for services and ARS 3,698,270,000 for trade, except for those regulated by Laws No. 23,551 (trade unions), No. 23,660 (mandatory healthcare organizations), No. 23,661 (ANSSAL) and No. 24,467 (SMEs).

⁷ Employers in the commercial sector or the services mentioned in the previous footnote.



Workers compensation insurance

Workers Compensation Insurance Law sets forth that an insurance policy must be purchased from an authorized workers compensation insurance company.

Contributions to workers compensation insurance companies are usually made up of a fixed amount per employee and a variable percentage. The latter is calculated on the basis of the employer's contribution to the social security system (without any cap) plus any non-wage compensation (excluding compensatory items in case of termination.)

Life insurance

It is mandatory for employers to buy coverage of ARS 181,500.00 per employee, and the monthly value amounts to ARS 37.21 since March 2022. These values are adjusted each year based on the latest minimum sustenance salary published each December, effective as from March the following year.

Social security agreements

Argentina has entered into social security reciprocity agreements with several countries.

The Mercosur Agreement that includes Brazil, Paraguay and Uruguay, as well as the bilateral agreements signed with Chile, Slovenia, Spain, France, Greece, Italy, Portugal, Peru and Colombia.

In addition, the Ibero-American Social Security Treaty, which includes Bolivia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, the Dominican Republic

and Venezuela, as well as the bilateral agreements with Belgium and Luxembourg are still in effect and pending regulation.

Self-employed workers

Self-employed individuals are required to contribute to a specific pension fund. The amount they need to contribute depends on the nature of their work and the level of income. This monthly contribution ranges between ARS 5,861.26 and ARS 25,789.18.

Whether they have a payroll relationship with the company or not, the directors of corporations and representatives of foreign companies are required to make contributions to the National System of Self-Employed individuals.

Employment contracts

Employment contracts do not generally specify an end date to promote the general unspecified timeframe principle. This principle ceases to be applicable if: a) the timeframe of the contract has been set in writing and b) the activity justifies the exception.

Employment contracts for unspecified timeframes are understood to have been entered into on a trial basis for the first three months. During this probationary period either party can terminate the relationship without specifying the cause but by giving notice. In this case the termination will not give right to payment of indemnity.

Other types of contracts include: part-time contracts (working hours do not exceed two thirds of the normal

working day) and seasonal contracts (when the relationship between the parties is limited to certain months of the year and repeated according to the business cycle of the activity in question).

Other contracting schemes accepted by Argentine labor legislation, which are exceptions to the general unspecified timeframe principle, include fixed term contracts and temporary employment contracts. As these are exceptions to the general principle, their applicability must be analyzed taking into account the provisions of the Employment Contract Law on a case-by-case basis.

Special requirements for foreign natural persons

In principle, there are no restrictions on the employment of foreign nationals, nor are quotas established.

Expatriates may request an exemption from employer and employee contributions or from the benefits of an international social security agreement, as applicable.

For each case, the social security, labor and tax treatment to be given to the abovementioned benefits must be analyzed taking into consideration the current laws in force (the whole package of benefits is usually taxable.)

Scope of benefits

It is not customary in Argentina for companies to provide additional pension benefits to employees over and above the official pension (some large local and multinational companies are exceptions.)

Healthcare benefits adequately cover the needs of employees' in most cases. However, pension payments at retirement are usually small, which would contribute to the development of private pension plans.

Some measures have been adopted in order to increase the minimum pensioners are entitled to at retirement. The minimum amount of retirement benefits stands at ARS 32,630.40 (effective as of March 2022).

Salary and other employee benefits

Argentine labor laws are considered to be protective of employees. Various regulations cover items such as employment relationships, different methods of wage payments, maternity and other leaves, and restrictions to the employment of minors.

Pursuant to the Employment Contract Law, an additional annual bonus equivalent to a monthly salary shall be paid in two parts on June 30th and December 18th of each year. Moreover, employees are entitled to vacation days, based

on seniority (ranging from 14 to 35 days per annum). Items such as overtime and sick leave are specifically governed by the provisions of the Employment Contract Law.

Termination of the labor relationship

The employment contract may be terminated for a set of different reasons. The most common are employee resignation and employer dismissal without cause.

In case of resignation, the employer shall not pay any additional items other than the accrued salary, unused vacation and proportional thirteenth month salary. In the case of dismissal without cause, in addition to the payments applicable to resignation, the employer is generally required to pay severance pay in lieu of notice -unless notice is served, in which case it stands at one or two months depending on seniority-, and severance pay (equal to a salary per year of service or portion exceeding three months, although a cap may apply over this calculation basis).



5. Accounting and auditing standards

Financial reporting

Based on General Business Associations Law and IGJ regulations, stock corporations and limited liability companies with capital exceeding ARS 50 million are required to file with the IGJ their annual financial statements, including the balance sheet, statements of income, of changes in shareholders' equity, and of cash flows.

Furthermore, parent companies are required to present consolidated financial statements as supplementary information to their stand-alone financial statements.

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

The two main requirements are as follows:

- a. File the annual financial statements audited by an external auditor.
- a. Stock corporations and limited liability partnerships without supervisory boards included in section 299 of General Business Associations Law are required to have an individual statutory auditor or, in some cases, a statutory audit committee. This role is held by accountants and/or lawyers (section 284, General Business Associations Law).

The oversight agencies mentioned in the table below require that financial statements and an external auditor's report issued by an independent public accountant be filed with the related enforcement authority.

Oversight authority	Company types to control
CNV	Companies with listed securities
BCRA	Financial institutions
SSN	Insurance companies
SART (Argentine regulatory agency of workers compensation insurance companies)	Workers compensation insurance companies
IGJ and similar provincial authorities	Stock corporations, foreign branches, nonprofit civil associations and foundations

Irrespective of the exceptional extensions established by enforcement authorities due to the COVID-19 pandemic, the general term for filing the annual financial statements varies based on the related authority. Deadlines are set after a given number of days following year end:

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

1. The meeting must be convened within four months following year end.
2. The financial statements are required to be presented to the IGJ electronically, generated by the application program provided by the IGJ, along with a sworn statement by the Company and the certification of an independent public accountant.

Stock corporations and limited liability companies with capital exceeding ARS 50 million are required to file with the IGJ their annual financial statements, including the balance sheet, statements of income, of changes in shareholders' equity, and of cash flows.

- ▶ According to section 66, General Business Associations Law, managers of stock corporations and limited liability companies are required to draft a shareholder letter on the date of issuance of the financial statements reporting the company's position regarding its different activities and explain company results and projections.
- ▶ Under IGJ regulations, all stock corporations and limited liability companies with equity equal to or exceeding ARS 50 million must include certain information in the letter to the shareholders or owners apart from the information set forth in General Business Associations Law regarding the company's organization structure, its activities and purposes and prospects for the following fiscal year.
- ▶ Under certain conditions, in the case of stock corporations not included in section 299 of General Business Associations Law (see above) and limited liability companies with a capital exceeding ARS 50 million, the regular meeting may exempt administrators from preparing said letter to the shareholders with the abovementioned information, if it is not necessary for its purposes and there are no shareholders and third-parties that have shown express legitimate interest in such information. In these cases, the letter to the shareholders should be prepared based on the requirements established in section 66, General Business Associations Law.
- ▶ Companies publicly listing their securities ("issuer companies") should file quarterly financial statements and a Board of Directors' informative overview, which are published on the CNV's website. This information should be filed within 42 days consecutive to period end.

Moreover, the issuers of quarterly financial statements of its subsidiaries under joint control and associates may replace their filing by the disclosure in a note to the financial statements of such entities' information according to effective regulations, in which case the issuer should make such financial statements available if requested by the public.

- ▶ Financial institutions, insurance companies and workers' compensation insurance companies are required to file quarterly financial statements with their respective oversight agencies. Irrespective of the exceptional extensions established by enforcement authorities due to the COVID-19 pandemic, these terms start a certain number of days after beginning of the calendar year:

Company	Period within which to present quarterly financial statements
Financial institutions	Day 20 of the second month subsequent to year-end
Insurance companies	45 days
Workers compensation insurance companies	45 days

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

According to Argentine General Business Associations Law, financial statements should be prepared in constant currency. Section 3(6)2 describes the Argentine professional accounting standards that should be applied

when restating the financial statements in constant currency.

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

IGJ regulations establish the following corporate requirements:

- the capitalization of capital adjustments prior to or simultaneously with the effective capital increase and
- the distribution of unappropriated retained earnings (whether through cash or share dividends or the creation of reserves).

Additionally, requirements were established by IGJ regulations to book irrevocable capital contributions on account of future share subscriptions in addition to those established in professional accounting standards, mainly that they should be paid in cash and that their capitalization is mandatory and shall not extend beyond the fiscal year in which it was accepted, computed as from the company's management acceptance of the contribution, unless that on year-end the Shareholders' meeting is to be held before the term elapses, in which case the decision on the above mentioned capitalization should be adopted in the same opportunity.

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Professional accounting standards

General considerations

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

All professional councils in Argentina are members of FACPCE (Argentine Federation of Professional Councils in Economic Sciences), an organization in charge of coordinating efforts to issue professional accounting and audit standards. The FACPCE, through the CENCYA (special committee for accounting and auditing standards), prepares accounting and auditing standards that are submitted to an inquiry period and after this period has elapsed, it issues the final professional standard, which may consist in a technical resolution or interpretation, the adoption of which is proposed to the professional councils of each Argentine jurisdiction.

In 1998, the FACPCE's governing board decided to implement a plan to adapt Argentine professional accounting standards to the IAS (International Accounting Standards) proposed by the IASC (International Accounting Standards Committee). The accounting framework resulting from the implementation of such plan considered the IAS in effect at the time, but the plan did not include an ongoing update protocol allowing for the incorporation of the subsequent changes in international standards.

In 2009, the FACPCE issued Technical Resolution No. 26 whereby it adopted IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board). The application of IFRS was established as mandatory for certain entities and optional for others, as stated in the following section.

Adoption of Technical Resolution No. 26, as amended

IFRS adoption in Argentina has the following characteristics:

1. Scope of mandatory application

- ▶ Application of the IFRS is mandatory in financial statements of entities included in the public offering system (Law 17,811). The first mandatory application was for the financial statements of listed entities related to annual fiscal years beginning as from January 1, 2012 and for the interim periods related to such fiscal years. However, the entities authorized by the CNV (Argentine Securities Commission) to maintain accounting methods of a different regulatory body, such as financial

institutions, insurance companies, cooperatives and civil associations, are exempt from applying IFRS.

- ▶ The application of IFRS is mandatory for the consolidated financial statements of a group of companies, the separate financial statements of a parent company, and for the stand-alone financial statements of a noncontrolling company. The separate and stand-alone financial statements mentioned are the ones that should be considered for all statutory purposes in Argentina, while consolidated financial statements are supplementary information.

2. Optional application of IFRS

- ▶ Entities not covered by, or exempted from, the mandatory application of IFRS, have the option of applying IFRS in full or IFRS for SMEs, with the scope set forth for by the IASB.
- ▶ The IFRS for SMEs cannot be used by entities that are expressly excluded from their application by the IASB. This includes entities whose debt or equity instruments are negotiated on a public market or that are in the process of issuing these instruments, or when one of its main activities is to hold assets as a trustee for a vast group of third parties.
- ▶ Notwithstanding the provisions established by the FACPCE, the possibility of optionally applying IFRS or IFRS for SMEs is subject to the approval of each company's related corporate oversight body. The status of this adoption by the main enforcement agencies is analyzed further under the section "Statutory Accounting Standards".

Argentine professional accounting standards other than Technical Resolution No. 26

1. Unit of measurement

Argentine professional accounting standards provide that in a context of monetary stability, the unit of measurement is the nominal currency. Upon identifying an inflation context that requires adjusting the financial statements, certain qualitative conditions should be considered, which are similar to those contained in IAS 29 “Financial Reporting in Hyperinflationary Economies”, but the key indicator and condition necessary to restate the figures included in the financial statements is the existence of a three-year cumulative inflation rate which reaches or exceeds 100%.

The entities required to file financial statements had discontinued the restatement of the amounts into constant currency in 2003 (until February or September of that year, depending on the type of entity), a situation that changed in 2018, upon the occurrence of the events described below.

Even in a context whereby there was a relatively high increase in the overall price level over some years of the period in which the restatement of financial statements into constant currency was interrupted, the three-year cumulative inflation rate in Argentina remained below 100%. However, due to various macroeconomic factors, the three-year cumulative inflation for 2018 exceeded such percentage; in addition, the goals set by the Argentine government and other available projections indicate that this trend will not be reversed in the short term.

In this high inflation context, the following events occurred and professional and legal standards were issued in 2018:

- a. To establish rules for resuming the process for restating financial statements, on September 29, 2018, the Board of Governance of the FACPCE approved IGJ Resolution No. 539/18 (as subsequently supplemented by Resolutions JG 553/19 and 584/21) on September 29, 2018, which establishes as follows: (a) the financial statements for the fiscal years or interim periods closing on or after July 1, 2018, should be restated based on the procedure established by Technical Resolution No. 6 “Financial statements in constant currency”, as if the economy had always been inflationary; (b) the series of indexes to be used for the restatement will be prepared and published by the FACPCE on a monthly basis, which combines the Argentine consumer price index -published by the INDEC- from January 2017 (base month: December 2016) with the domestic wholesale price index published by the INDEC through that date, computing the changes in the consumer price index for the City of Buenos Aires for November and December 2015, in which case the INDEC has not disclosed information about the changes in the domestic wholesale price index.
- b. The CNV and the IGJ issued General Resolutions No. 777/18 and 10/2018, respectively, whereby they uphold a position similar to that established by the FACPCE in GR No. 539/18; that is, the restatement into constant currency is mandatory for annual or interim financial statements closing as from December 31, 2018. The requirement applies both to issuers of financial statements under IFRS, and to issuers qualifying as SMEs preparing their financial statements

in accordance with Argentine professional accounting standards issued by the FACPCE other than IFRS.

- i. The BCRA and the SSN required the restatement into constant currency as from the years beginning on or after January 1, 2020, and June 30, 2020, respectively.

2. Measuring methods

The accounting measurement methods under Argentine accounting standards are applied based on the nature of assets and liabilities.

In connection with this issue, they may be applied as follows:

- a. For assets:
 - ▶ Historical cost
 - ▶ Current values
 - ▶ Replacement cost
 - ▶ Net realization value
 - ▶ Net realization value based on degree of completion
 - ▶ Fair value
 - ▶ Discounted amount (present value) of the cash flows to be collected
 - ▶ Percentage of equity interest on the accounting measurements of assets or equity
- b. For liabilities:
 - ▶ Original amount
 - ▶ Settlement cost

- ▶ Discounted amount (present value) of the cash flows to be disbursed
- ▶ Percentage of equity interest on the accounting measurements of liabilities

Additionally, the FACPCE established that the following regulatory hierarchy be applied to solve measurement issues for which Argentine professional accounting standards provide no accounting treatment:

- i. The provisions established in Argentine professional accounting standards for similar or related issues;
- ii. general standards on accounting measurement;
- iii. the concepts included in the general framework of such standards.

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

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

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

The FACPCE is currently coding Argentine professional accounting standards into what will be known as the

Argentine Unified Accounting Standard. This process also includes the incorporation of accounting standards for matters that are not established in current professional standards, as well as differential standards to be applied to small- and medium-sized entities. The Argentine Unified Accounting Standard is expected to be issued in the second half of 2022, to become effective in 2024.

Statutory Accounting Standards

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

The following Argentine government agencies are empowered to issue legal regulations regarding accounting matters: The CNV, the BCRA, the SSN, the SART, the INAES (Argentine Cooperative and Mutual Action Institute), which controls cooperatives and mutual aid associations, the INSS (Argentine Social Services Institute), which controls statutory healthcare organizations and similar entities, the IGJ and similar provincial authorities.

Some of these government entities automatically incorporate as statutory accounting standards the professional accounting standards approved by the FACPCE and adopted by the Professional Council in Economic Sciences of the related jurisdiction. Other government entities issue specific resolutions whereby they adopt the professional accounting standards partially or in full. Finally, there are government entities which issue their own statutory accounting

standards, which may contain significant differences with professional accounting standards. The companies that fall outside the scope of the mandatory application of IFRS may choose to apply IFRS or IFRS for SMEs, depending on the type of entity. The actual use of this option does not depend solely on the decision of the issuer of the financial statements, but on the authorization of the corporate oversight agencies. In connection with this issue:

- i. The BCRA has created a new accounting framework based on the IFRSs that the financial institutions apply as from the fiscal years beginning January 1, 2018, with certain temporary exceptions that have been updated. As from January 1, 2020, the situation is as follows:
 - ▶ Group A banks: to book the allowances for loan losses, they will apply the expected loss criterion under IFRS 9, except in the case of debt instruments of the public sector.
 - ▶ Group B and C banks: the application of the expected loss criterion under IFRS 9 is excluded temporarily and on a full basis. These banks may opt this suspended application as from January 1, 2022, or January 1, 2023, (Communiqué "A" 7427") except for debt instruments of the public sector, for which the temporary exclusion remains.
- ii. The SSN had made progress in preparing a plan to adopt the IFRSs tentatively in 2022/2023; however, after the changes in the federal government and in the agency administration in 2019, there have been no changes in that project.

- iii. The IGJ, which controls stock corporations and branches located in the City of Buenos Aires City, issued GR No. 4/18 in 2018, whereby it allows preparing financial statements considering one of two options: in accordance with IFRS or with IFRS for SMEs incorporated by the FACPCE in TR No. 26, or in accordance with the Argentine professional accounting standards issued by the FACPCE other than TR No. 26.

Audit Standards

FACPCE Technical Resolution No. 37 describes the standards related to performing audits and limited reviews of financial statements of entities, among other professional services addressed in the resolution. In addition, some oversight agencies, such as the BCRA or the SSN, issue audit and review standards that the audit is required to fulfill in addition to that established in Technical Resolution No. 37. These include, for instance, a list of the minimum audit procedures applicable to the examination of the annual and quarterly financial statements of the entities under their control.

The FACPCE issued in November 2012 the following technical resolutions applicable to the audits and the limited

reviews which are required to be prepared under IFRS and require the application of the international auditing standards issued by the IAASB (Auditing and Assurance Standards Board) and the IFAC (International Federation of Accountants):

- a. Technical Resolution No. 32: adopts and requires the mandatory application of the IAS issued by the IFAC for audits of financial statements which are required to be prepared under IFRS, effective as from fiscal years beginning on or after January 1, 2014.
- b. Technical Resolution No. 33: adopts and requires the mandatory application of International Standard on Review Engagements (ISRE) No. 2410 related to the review of interim financial statements which are required to be prepared under IFRS, effective as from interim periods related to fiscal years beginning on or after January 1, 2014.

The FACPCE issued Technical Resolution No. 34, which adopts and requires the application of the International Standards on Quality Control issued by the IAASB and the Standards on Independence issued by the IESBA (International Ethics Standards Board for Accountants)

for all auditors who report having provided professional services in which the regulations contained in Technical Resolution Nos. 32 and 33 were applied.

Technical Resolutions No. 32 and No. 33: may be applied voluntarily in cases other than those indicated in (a) and (b) above and, in such cases, the application of Technical Resolution No. 34 is mandatory.

The adoption of new ISAs or amendments to ISAs or Ethics Standards already adopted is made through "Circulars regarding the adoption of pronouncements issued by the IAASB and the IESBA of the IFAC" issued by the FACPCE.

In September 2021, the FACPCE issued Technical Resolution No. 53, which updated Technical Resolution No. 37 and adapted the format and contents of the audit reports to the international auditing standards, except as regards describing in the report the key audit matters identified in the audit. According to the FACPCE, the application of these changes is effective as from the years beginning on or after January 1, 2022; however, the professional councils of each jurisdiction may establish subsequent dates, and some of them have deferred the application to 2023.

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