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Contadores Públicos

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DOING BUSINESS IN ARGENTINA

ARGENTINA'S ECONOMY IS PRIMARILY BASED ON NATURAL RESOURCES

Argentina is the most European of South American countries. Three out of four people are descendants of European immigrants, mostly from Spain and Italy. This European influence has a strong impact on business. Unlike some of its South American neighbors, Argentina has a relative connection with its original inhabitants history. Its middle class is one of the largest and most prosperous in South America.

The first Spanish landed in 1516. A region comprising Argentina and most of the southern part of the continent was a vice royalty of Spain for the next three centuries. Argentina celebrates its bicentenary by exalting the revolution that ended the Spanish viceroyalty on the 25th of May 1810, formalized by the declaration of definite independence from Spain just six years on, and giving birth to a new nation called at first "Provincias Unidas del Rio de la Plata".

The Argentine economy has traditionally been based on agriculture and livestock, but industry has become increasingly important. Primary activities, however, are still a main source of foreign revenues. Argentina is one of the world's most important suppliers of agricultural products such as wheat, corn, soybean and other grains. The woodlands produce hard and soft woods, which are used in timber and related industries. Forests supply the wood pulp and paper industries with raw materials. Vine yards are located in the central western area of Argentina, and the wine industry is highly developed. In addition fruit plantations are located in various areas of the country.

The predominant manufacturing industries are those producing machinery and equipment, foodstuffs, beverages, tobacco, chemicals and textiles. Argentina also has an important iron steel industry.

THE ECONOMY AT A GLANCE

The Argentine economy has grown by leaps and bounds since the 2002 crisis. Since then the Argentine economy has grown by a cumulative 52%, based on rising world prices for Argentina's farm commodity exports and pump priming expenditures, and is today much larger than it was during the 90's.

Analysts say that the strengths are the ability of the administration to collect taxes, the compulsive public debt restructuring, the massification of the pension plans and subsidies for children as well as the nominal rise of the education funding.

Export tax receipts applied to agro products explains the raise in the tax collection. These are as follows: soybean 35% followed by sunflower with 32%, wheat 23%, corn 20% and meat 15%.

Weaknesses are the overwhelming expansion of the public expenditures –such as taking over the troubled national airline- the almost non existent control of the inflation by the Central Bank, the legal uncertainty fueled by weaker institutions and the mistrust to the figures coming out from the National Statistics and Census Institute (INDEC) since the beginning of 2007 -keeping the inflation figure in single digits- the non interest shown by the administration to make the government activities transparent. The methodology used by the census bureau is still being questioned, thus showing significant discrepancies between the official inflation rate and private consultants' estimates.

The tampering with the inflation statistics by the government is creating issues for the country going forward. While it is difficult to say which has been the real level of inflation over the last several years the unions have been asking for increases in salaries that are close to 25 to 30%, arguing that workers' purchasing power has been severely affected by inflation, confirming that the numbers prepared by the census bureau are way off. The mistrust produced by this tampering is such that nothing the administration publicises seems to be credible.

There is no law on price control. However, in recent years the Trade Secretariat has promoted price agreements in various sectors with the aim of holding down price rises for certain consumer goods. Some private business have faced severe pressure from the administration to the point of harassment to keep prices of goods and services down. This happened to the energy sector by freezing the retail price of natural gas discouraging investment in exploration, as well as with price controls upon agricultural and cattle sector, with all sorts of constraints and regulations. The price of beef has been held down by adding a high export tax, encouraging farmers to sell in the domestic market. Farmers are now able to export only at the administration's discretion. In a business environment in which the state plays a much bigger role, political contacts often seem to make the difference between success or failure. As investors do not know if they will be able to recover their funds by selling goods and services at the prices they need to recover the investment, they prefer to wait and see. This is only news for the newcomers. Since the middle of the last century the government has been stepping into companies decisions disrupting their ability to price their goods and services.

The administration has been very resourceful in financing its debts payments during the pasts several years with the quite large primary fiscal surplus. Argentina's nominal government expenditures have grown at a high rate outpacing government revenues. Government expenditures also seems to be very inefficient. When looking at the prices paid by the government compared to the prices paid by the rest of the economy this seems to be quite clear.

The administration has been very active in securing other domestic "sources" of funds. In 2008 they took over the private pension fund system by arguing that they were protecting the future of Argentine pensioners. The administration has been using those funds to pay for increase government expenditures. The administration has not stopped at anything to get away with what it wants.

The public opinion was that the administration was starting to be concerned with its ability to finance its deficit without access to international capital markets. Today's government income is built upon trade taxes and on inflation tax. Their problem is basically related with expenditures and the way it has tried to settle social issues since coming into power. If the government cannot find more sources of financing it should be expected to recourse to a higher inflation tax.

Argentina will continue to grow as long as commodity prices remain high and Brazil, India and China continue to grow at a fast pace. So far it has been successful in achieving growth. However, social and economic marginalization continues to be a serious problem.

Inflation

Inflation in Argentina continues being a problematic issue. A legacy of inflation can lead to short-term thinking and planning. Government expenditures are growing too fast for fiscal sustainability, especially if the economy does not maintains a strong path in the medium and long term. It is fueled by the investment on public works, increase of salaries to public servants and pensions, etc. Subsidies granted to energy consumption, passenger transportation by land and air, etc has also great importance.

Up to the beginning of 2008 the Central Bank printed pesos to fund the purchase of foreign currency obtained mainly by trade surplus in order to avoid the appreciation of the Peso. As from the third quarter of 2008 the Central Bank prints pesos in order to fund the public expenditure.

The consumption price index variation of Argentina in 2009 was only surpassed by six countries, Congo Ethiopia, Venezuela, Pakistan, Ghana and Egypt. Meanwhile the projected inflation for 2010 in Mexico

is 3.2%, in Brazil is 4.1%, Chile 2.5% and Uruguay 6.5%, in Argentina inflation is expected to reach 25%, only surpassed by Venezuela with the 32%.

Foreign investment

In terms of sales, 128 out of the 200 largest companies are owned by foreign investors, 58 are owned by local investors, 7 are State runned and 7 are Joint Ventures. In 1997 the foreign capital companies represented 64.3%, in 2005 75.8% and in 2007, 77.3%.

The trade balance surplus makes today Argentina self sufficient in respect of obtaining foreign currencies. The 2009 surplus represents 5.5% of the GDP in which the role of the agribusiness and industrial manufactures is quite significant. 330 out of the 500 non financial major companies are owned by foreign investors, producing 83.8% of the added value and representing 90.2% of the earnings. One third of the total is owned by local investors, giving employment to the 37.1% of the work force. Foreign companies are focused on manufacture, food processing and oil & gas industries. 85 % of the mining sector companies are under foreign investors control.

Public debt

Argentina today maintains a debt level similar to the one existing in 2001 which was 144 billion U.S. dollars, or 54% of GDP. Today's debt is 156 billion U.S. dollars, about 51% of GDP. Back then, 91% of the debt was denominated in foreign currencies and only 3% in pesos. Today's debt profile is quite better, with 65% denominated in foreign currencies, and 28% denominated in pesos. 55% of the debt denominated in pesos is inflation linked with a measure based on the consumer price index.

Because the government has been underestimating the consumer price index for more than three years, the cost of this debt to the government has been kept low. The government is tampering with inflation numbers in order to pay less in interest on some part of its current debt.

Before the crisis the interest payments on the debt represented 3.8% of GDP. Today's interest payments as a % of GDP are close to 1.8%. In 2001 interest payments were were 21.9% of total tax receipts, whereas today they are only 6.5% of total tax receipts.

In comparison, according to the HSBC, in terms of GDP Greece public debt is 133%, Italy 118%, the USA 92.6%, Portugal 85.8%, Spain 64.9%, Brazil 58.9%, Mexico 37.4% and Chile 29.5%.

In 2001 the argentine peso was estimated to have been overvalued by approximately 40% and the economy had been in recession for several years. Thus, when the government allowed the peso to depreciate, debt as a percentage of GDP surged to 152% in 2002. Today the peso does not seem to be overvalued by any standard.

Argentina's access to the international financing markets has been closed since it defaulted on its debt in 2001. The government intention is to access the international capital markets with the expectation to find financing rates close to the single digits, much better than today's rates of 15 to 20%.

Today, after the fiscal surplus has come to an end, the administration has been using the Central Bank hard-currency reserves to pay off a group of private lenders and two international organizations, the World Bank and the Inter-American Development Bank, instead of relying on its cash flow.

To honor the public debt in 2011 it is expected that 11 billion U.S. dollars will be necessary. Up to 2017, 8 billion U.S. dollars per year will be needed to cover the public debt.

GENERAL BENEFITS FROM A FOREIGN PERSPECTIVE

Argentina offers many opportunities to skilled long term businessmen, such as highly literate population as well as its geographic advantages, extensive lands located mainly in the temperate zone, a variety of climates and plentiful natural resources.

The low cost to a foreign investor of buying assets or purchasing goods and services from Argentina. Wage rates for both managers and production staff are relatively low by European and North American standards. Social Security contributions are approx. 23%. No problems for hiring people. Need to follow some formalities to fire people. Skilled and productive workforce quite available.

ECONOMIC OUTLOOK:

General:

- Rich natural resources
- Highly literate population
- Export-oriented agricultural sector

Modern infrastructure:

- Oil and gas industry
- Telecommunications system
- Comprehensive highway, road and railway network
- International & domestic flights

Comparative advantages:

- Relatively low cost of purchasing goods and services
- Low wage rates for both managers and production staff
- Skilled and productive workforce readily available

Benefited sectors:

- Agri-business
 - edible oils
 - cereals
 - meats
- Textiles and Clothing
- Motor vehicles and parts
- Tourism
- Food Processing
 - biscuits
 - chocolates
 - fish products
- Fisheries
- Software and computer assembly
- Wines

FREQUENT ASKED QUESTIONS

GENERAL

Which are the first questions that a foreign investor does when arriving into Argentina?

They are focused on the economic and political outlook as well as the legal securities on foreign investments. Tax aspects also require a detailed explanation. Other aspects of interest are the foreign exchange regime, company's formation, labor and social benefits structure.

Foreign investors are astonished because the formation of personal companies is not allowed and that in order to comply with local regulations a minor shareholder cannot have less than 5% of the share capital.

Other controversial aspects to be considered are the complexities of the Central Bank regulations in order to introduce money into Argentina as well as to withdraw it.

These regulations require that a foreign investor, prior to making an investment in Argentina, should make an assessment of the effect of the exchange system on the projected investment, in particular as concerns cash inflows and outflows.

Is Argentina a country where things are easy to achieve from an administrative prospective?

No. On the contrary Argentina has a history of strong governmental intervention in business. When faced with bureaucratic obstacles, it is best to seek advice from knowledgeable sources.

How formal is doing business in Argentina?

Compared with the rest of Latin America, business in Argentina is quite formal. This can be particularly true in Buenos Aires, or when dealing with senior executives of traditional family-held companies. Image plays an important role.

How patient you must be while keeping waiting?

Doing business in Argentina may take more time than elsewhere. Do not expect to rush through business. It will probably require several visits to accomplish your objectives. Appointments often start late. While you are expected to be on time, your local counterpart might be late. The more important the person, the longer they might keep you waiting, especially in government.

How you are expected to behave in terms of courtesy?

Argentines will usually greet you with a handshake and a slight nod. Male friends might also greet with a hug (abrazo), although this is less common than in other Latin American countries.

Business associates of the opposite sex might greet each other with a light kiss on the cheek. An Argentine man meeting a foreign woman might kiss her on the cheek, even at the beginning of the first meeting. If you wish to avoid this, one solution is to extend your hand for a handshake immediately upon meeting.

When meeting a group, it's important to greet each individual, starting with the most senior official. First names should not be used until suggested by the host. While Latin Americans typically have two last names, most Argentines have only one.

Should you go directly to the business?

It's considered rude to jump right into business. A meeting will typically start with casual conversation before getting down to business. During that time, you might be offered refreshments, usually a cup of espresso. It is polite to accept something to drink. During the meeting there might be interruptions. This is normal. Be patient. Always let the senior Argentine host decide when the meeting is over.

Can they be easily offended?

Argentines have a strong sense of pride. Sometimes this pride and high self-esteem can border on the extreme. Keep in mind that Argentines consider Buenos Aires the equivalent Paris, which in certain neighborhoods is absolutely true.

Can a company be approached just by making a telephone call?

Personal contacts are the framework in Argentina. To succeed you might need an introduction, especially if your company is small and not well-known. Organizations such as accountants, attorneys, and consultants can be very helpful in directing you to where decisions are made. Dealing with mid-level managers is not the direct and successful way. When dealing with the government contacts can be particularly important.

Do they emphasize creating relationships build on trust?

As in much of Latin America, Argentines think business is based on personal relationships. They prefer to do business with people they know, based on long standing relationships strongly based on trust. You will have to build a relationship before any business can be conducted. You will need to prove yourself as an appropriate business partner before an Argentine does business with you.

How can you build a relationship?

Causal conversation is the way that Argentines have to know you. The topic of conversation is the national sport, “futbol” as it is known locally. Everyone has a favorite club or team. Topics will be from sports to music, or local sights to restaurants. An excellent subject is to talk about Argentina’s economy. Politics, religion and neighboring countries are subjects to be treated with extreme caution. Also avoid asking questions about family until the topic is brought up.

What about building relationships during a meal?

Excellent idea. Business meals are social occasions and are used to build the business relationship. Do not bring up business during the meal. Wait until coffee is served or until your host brings it up. Dinners also are popular for business entertaining. Be warned that dinner starts late.

Are there other ways to build relationships?

Other appropriate activities include tennis, golf, sailing, or visiting a business site together. Gift giving is an important part of a relationship. If you’re making a return trip to Argentina, ask your host if there’s something in particular you can bring.

What if you are invited to a home?

In this case be sure to bring a gift such as chocolates, champagne or a bottle of good wine. Be sure to dress well. Bear in mind invitations into a home are rare, and should be taken as a very good sign.

In what language should you speak while doing business?

Even though English is widely spoken in Argentina, it is important to always ask permission before speaking English. They will be delighted if you show some effort on your part to speak Spanish language.

Does Argentines stand close when speaking?

Argentines use their hands and gesture a lot while talking. In conversation, people tend to stand close. An Argentine might finger the lapel of your jacket, or pat you on the back. These are signs of acceptance and should be welcomed.

Which role plays the family while doing business?

It is critical to understand Argentine values. Family is at the center of their universe that plays a very important role in business. Argentines are not likely to conduct business on a weekend at the expense of time with their family.

How is negotiating with an Argentine?

It is very important to build a sense of trust during the early phase of negotiations. Argentines are tough negotiators. They take their time. Concessions from them come slowly and grudgingly. You should not expect a decision during your trip. Return home and allow them to consider your proposal.

Which is the key for a successful negotiation?

It is important to understand how Argentines think. To be successful, be sure you understand your hosts' aspirations and motivations. Factors such as prestige, technology or travel opportunities might carry more weight than money as their primary motivation. Older generations might be more conservative and less open to new ideas.

How emotional is deal making?

Argentines tend to view situations subjectively where feeling and intuition are greater emphasised than facts and figures. This is particularly true on traditional, family-held companies.

When a deal is considered as closed?

If you want to get a feel for where you stand simply ask the opinion of your key contact with the host company. Wait until the entire agreement contract is signed. Argentines tend to be very analytical, carefully looking at each step. Before that, each part is subject to re-negotiation.

How are Argentines as workers?

As the literacy rate is about 95%, and the skill level is at par with that in other industrial countries, workers have a lot to offer. They have a different approach to work, tending to take longer breaks for coffee and lunch but at the same time they work longer hours.

How paternalistic management tends to be?

Management in Argentina is very straightforward, focusing on a simple concept: decision-making is concentrated at the top. Bosses are expected to develop a father-like relationship with employees, and offer advice even on personal matters.

FOREIGN EXCHANGE SYSTEM

Is there a monetary exchange regime?

The Central Bank is vested with powers to regulate the Argentine Foreign Exchange Market. In the last six years, the Argentine Government has imposed a restrictive exchange system, which rules must be taken into consideration with regard to all kinds of transactions involving inflows and/or outflows of funds to and from Argentina, or foreign trade operations involving Argentine residents.

Is it an obligation to bring in foreign currency derived from exports of goods?

In December 2001 the Argentine Government re-established the obligation of bringing in and negotiating in Argentina the corresponding value in foreign exchanges of the export of Argentine products. Proceeds from exports of goods and services must be brought into Argentina and traded in the Foreign Exchange Market within the terms set forth by the regulations, which vary depending on the kind of goods exported (e.g. for exports of services, the term is 105 business days counted as from the date of collection). Pre-financing of exports is subject to a specific system.

Which are the rules for the inflow of capital?

Foreign investments must remain in the country for at least 365 days counted as from the date funds are traded in the Foreign Exchange Market. Inflows pertaining to foreign indebtedness and other items (such as financial loans taken abroad by residents, portfolio investments made by non-residents, and others) are, in general and with some exceptions, subject to a non-interest-bearing U.S. mandatory deposit requirement whereby 30% of the aggregate inflows must be kept with a local financial institution for a 365 calendar day term. Loans taken for investments in non-financial assets are exempted from this restriction under certain conditions.

Are there any exceptions to the mandatory deposit requirement?

Direct investments are also included among the exceptions to the mandatory deposit requirement. Following internationally accepted criteria, the Central Bank deems as direct investments. Any interest held by a non-resident, individual or entity, in the capital of a local company, which interest represents not less than 10% of the share capital of, or voting power in the company (e.g. such interest may be obtained either by means of purchasing shares of a local company, or making capital contributions in it always provided they are immediately capitalized).

Is it necessary to report the inflow of capital?

Direct investments of non-residents exceeding USD 500,000 must be reported to the Central Bank.

Are there conditions established for the repayment of capital?

All kinds of foreign debts must be reported to the Central Bank as a condition precedent for its repayment.

Are there conditions established for the payment of imports?

Currently are no restrictions in force for the payment of imports. Advance payments are allowed, it being mandatory to evidence that the paid goods were imported within a 360-day term counted as from payment date. Prepayments of imports are also allowed. Financing of imports is subject to a specific system.

Are there restrictions to the payment of profits and dividends to non-residents?

Profits and dividends may be paid to non-residents without restrictions, always provided they are shown in closed and audited financial statements.

Are there restrictions to the payment of services rendered by non-residents?

There are no restrictions on the payment of services rendered by non-residents.

Are there restrictions to purchase foreign currency by Argentine residents?

Argentine residents are allowed to purchase foreign currency in an amount not exceeding USD 2,000,000 per calendar month for, among others, the following purposes considered in the aggregate: real estate investments abroad; loans granted to non-residents; direct investments made abroad by residents; portfolio investments; other investments; purchase of foreign currency bills to hold them in Argentina; purchase of travelers checks; and donations. Residents having due and unpaid foreign debts are not allowed to use this mechanism.

Does a non-resident applies to have the same rules?

As a general rule, non-residents are not allowed to purchase in the Foreign Exchange Market more than USD 5,000 per calendar month without the prior approval of the Central Bank, with some exceptions, among which non-residents are allowed to purchase currency and transfer it to their accounts abroad in some cases, such as: (a) external debts of residents, arising from Argentine imports of goods and services and financial imports resulting from external loans of non-residents; (b) repatriation of direct investments, in the cases of (1) the sale of a “direct investment” (interest in a local company qualifying as such); (2) the final liquidation of the direct investment in the country; (c) sale of “portfolio investments” brought into the country through the Foreign Exchange Market (and returns thereon), such as portfolio investments in shares and equity interests in local companies (not qualifying as “direct investments”), investments in local mutual funds and trusts, purchase of loan portfolios granted to residents by local banks, purchase of invoices and promissory notes for local commercial transactions, investments in local bonds issued in pesos and the purchases of other local loans, with a monthly cap of USD 500,000. In this case, it shall be evidenced that the funds pertaining to the investment were brought into the country. In the cases (b) and (c) it shall be evidenced that the 365-day term has been met.

Is it allowed to an Argentine resident to take a loan from a non-resident?

Yes. Proceeds from loans taken by residents from non-residents must be brought into Argentina and traded in the Foreign Exchange Market within a maximum term of 365 days counted as from the date of disbursement. Payment of accrued interest is allowed without any restriction. Repayment of principal is allowed with the condition that the minimum repayment term for principal is 365 days counted as from the date of trading of the funds in the Foreign Exchange Market, or as from the date of the last renewal of the loan.

Are there any rules to follow when making transactions in the Foreign Exchange Market?

When making transactions of any kind in the Argentine Foreign Exchange Market, it is necessary to provide all the supporting evidence requested by the acting financial entity. Usually, it is required that contracts, affidavits and/or other documents be submitted.

What may happen if the Foreign Exchange System is infringed?

Infringement of the Foreign Exchange System results in the imposition of fines up to 10 times the amount of the transaction and imprisonment if a second offence occurs. In the case of infringements committed by legal persons, fines are imposed on a joint and several basis on the legal person and on the directors, legal representatives, agents, managers, statutory auditors or members of the supervisory committee who have taken part in the commission of the infringement.

FOREIGN INVESTMENT

How is the Foreign Investment Regime?

Legislation recognizes an equal treatment between domestic and foreign investors.

Does an Argentine company require resident directors?

It is required that the majority of the directors to be Argentine residents. This could be regarded as an impediment in establishing a subsidiary in Argentina.

Is it possible to use a foreign language in business transactions?

All business in Argentina is transacted in Spanish and all documents and records to constitute valid evidence must be in Spanish. A good working knowledge of Spanish is essential for anyone planning to work in Argentina for any length of time.

Is it difficult to find English speakers?

Argentina is a multicultural society. Most Argentines with a secondary school education understand English. In the large cities it is not difficult to find clerical, technical and management staff with a reasonable working knowledge of at least one foreign language, such as English, French, German, Portuguese, Italian or even Japanese.

BUSINESS FORMS

Is it possible to establish off-shore companies in Argentina?

It is the Superintendence of Corporations (Inspección General de Justicia) criterion not to register off-shore companies with the Public Registry of Commerce for the purpose of being a member of/or organizing a company or branch in Argentina. For regulatory purposes, “off-shore companies” are foreign entities which may not, or are subject to restrictions to, carry out their main activity or all of their activities in their country of origin.

Is it possible to establish vehicle companies?

Off-shore companies may be recognized in Argentina as validly organized foreign companies if they recognize themselves, previous ratification by the parent, that they are “special purpose vehicles” of the ultimate controlling entity to do business in Argentina. Current regulations provide for the waiver of certain documentary requirements in the case of foreign companies qualified as “investment vehicles” which, pursuant to the requirements set to that end by the Superintendence of Corporations (Inspección General de Justicia), evidence that they have been organized for the sole purpose of being a “vehicle” or “investment instrument” of another company which, directly or indirectly controls the same, for it holds the decision-making power through the ownership of the necessary number of voting rights.

Is it possible to establish business forms not established in Argentine laws?

The Superintendence of Corporations (Inspección General de Justicia) requires that foreign companies organized in low or zero tax jurisdictions must declare that they actually carry out economically significant business in their place of organization, registration or incorporation and/or in third countries. For this purpose, they shall file with the Superintendence of Corporations (Inspección General de Justicia) their last financial statements and a report on the main operations carried out during the fiscal year to which such financial statements pertain.

What are the different types of companies?

Argentina provides several association structures for the individual wishing to carry on business within the country or abroad. However, when it comes to a foreign investor wishing to make use of those structures, the choice is reduced, mainly for tax reasons.

A permanent presence in the country needs to be established for continuing business activities. In this connection, two alternatives are open, either to register a branch of the foreign company or creating a new company as a subsidiary. If the idea is to joint venture with local partners, the creation of a Union Transitoria de Empresas may also be established.

Business may be conducted by:

- incorporated companies,
- partnerships,
- individuals and
- branches of foreign constituted enterprises.

Pertinent information must be registered in the Superintendence of Corporations (Inspección General de Justicia).

Is it possible to establish a branch office?

To start operations foreign investors generally choose either the form of a Limited Liability Company or of a Branch. The former may be a Sociedad Anónima (Corporation) or a Sociedad de Responsabilidad Limitada. The Branch has certain advantages, especially in the initial times of an investment. It is mandatory for foreign companies to name legally responsible individuals and to keep separate accounting records for their Argentine operations.

What are the particulars of a Sociedad Anónima (Corporation)?

Corporations must be at least two shareholders and the shares may be privately held or quoted publicly. Their operation is governed by statutes in which the name, object, duration, capital, election and powers of the board of directors, and all other rules are established. The board may have one or more directors but the absolute majority must be domiciled in Argentina. The term “sociedad anónima”, which may be shortened with the acronym S.A., must be included in the corporate name. The minimum capital is Pesos 12,000 (some USD 3,050 as of June 2010).

Management is vested in a board of directors composed of one or more directors who are appointed by the stockholders’ meeting. Their terms of office are limited to three years, but they may be re-elected. The board must meet at least once every three months. The president of the board of directors (chairman) normally represents a corporation. However, its bylaws may authorize the vice-president and/or one or more directors to represent it.

What are the particulars of a Sociedad de Responsabilidad Limitada (LLC)?

Are similar in all respects to corporations except that:

- A corporation may not be a quota holder.
- They are always privately held.
- Any change in quota holders requires an amendment to the incorporation deed.
- Formation procedures are simplified.
- Greater flexibility is permitted in the deed.

Managers have the same rights and duties as the directors of corporations, but their terms of office are not subject to the three-year limitation. Partners must appoint one or more managers to assume direct responsibility for the business operations.

What are the particulars of a Branch of a Foreign Corporation?

It may perform the same acts its head office is authorized to.

The head-office is:

- responsible for their operations, in the person of its nominated legal representative,
- liable to the extent of the corporation's subscribed capital.

The legal representative must register the branch with the Superintendence of Corporations (Inspección General de Justicia), submitting all necessary documentation:

- duly authenticated by a public notary in the country of origin,
- then recognized by an Argentine consul, and finally
- translated locally by an Argentine public translator.

The tax burden is similar to that of an S.A. (Corporation)

As the parent is wholly responsible for the branch’s liabilities, it is easier to deal with financial institutions and local suppliers.

What are the particulars of a Joint Venture?

Temporary unions of companies are allowed to:

- develop or execute a specific task, service or supply, and/or
- any extension thereof, both locally and abroad. Their duration is therefore limited to that particular task or service.

They are not separate legal entities in their own right. Agreements are entered through private or public deeds. Participants may be:

- resident businessmen,
- locally constituted entities, or

- non-resident companies that have established a separate branch or other type of presence in Argentina.

Agreements must be registered with the Superintendence of Corporations (Inspección General de Justicia) and must include:

- their objectives,
- term of duration,
- name and
- other particular information on their partners' responsibilities, financial contributions and other legal implications.

They enjoy similar rights, obligations and, except for income tax purposes, the same tax requirements.

How much time does it takes to form a Sociedad Anónima?

Formation takes about 3 months.

Is it possible to form a Sociedad Anónima with only one shareholder?

A Sociedad Anónima must have at least two shareholders. The founders must report an Argentine domicile for the purpose of related proceedings.

What must you have in mind at the time of choosing the kind of organization?

As a matter of fact most foreign companies setting up operations in Argentina have tended to favor a Sociedad Anónima or a branch operation. As the tax burden is almost the same for a foreign investor, the choice is largely dependent on the size of investment considered. Bear in mind that the statutory reports and controls imposed on the Sociedad Anónima make it more complicated and expensive to run but, on the other hand, the smooth running of a branch is dependent to a greater extent on the trust placed on the appointed person as deputy manager.

What if a branch is chosen?

Foreign investors have often chosen a separated incorporated subsidiary rather through branches to minimize their potential liability. If an Argentine or foreign subsidiary is used, the foreign corporation's liability is generally limited to the assets owned by the subsidiary. In comparison, if a branch is used, all of the foreign assets may be subject to potential liability.

What does the U.S. investor tend to use as an investment vehicle?

For purposes of the U.S. tax authorities the Sociedad de Responsabilidad Limitada is considered as a "non regarded entity". For purposes of the U.S. "check the box" entity classification rules, the Sociedad Anónima is classified as a "per se corporation". The two precedent definitions by the U.S. tax authorities make the Sociedad de Responsabilidad Limitada a useful vehicle due to the greater flexibility and its managerial cost-benefit.

Is a foreign company allowed to perform isolated business activities in Argentina?

A foreign company of any nature is allowed to perform isolated, non-recurring business activities, including portfolio investment, within the country without requiring the compliance with any formal requirement.

AUDIT & ACCOUNTING

Are there accounting requirements?

The board of directors is responsible for the maintenance of proper accounting records and for the preparation of financial statements. The financial statements must be approved by the shareholders, normally at a company's annual general meeting, having been circulated beforehand. Financial statements must be filed with the Superintendence of Corporations (Inspección General de Justicia).

Is acceptable under Argentine accounting rules the use of U.S. GAAP, IFRS?

In general, professional accounting standards approved by technical resolutions promote convergence of local accounting standards and International Standards (IAS) issued by the International Accounting Standards Board (IASB). Currently, the IASB has issued the International Financial Reporting Standards (IFRS) which are not mandatory in Argentina. Generally Accepted Accounting Principles in Argentina are very much alike to those applied in the U.S.. However, IFRS are applied in a supplementary manner when issues cannot be sorted out within the frame of such technical resolutions.

Is the use of LIFO acceptable under the Argentine tax legislation?

For income determination inventory valuation is based on the latest purchase. Thus, LIFO (last in, first out) may not be elected for tax purposes. Conformity between book and tax reporting is not required.

Are there Audit Standards to follow?

A technical resolution that basically follows the International Audit Standards (IAS) issued by the IFAC is in force.

Is it possible for a foreign accounting firm to perform the audit of an Argentine based company?

It is required that the audit must be performed by a local accounting firm.

TAXATION

What is the applicable tax system for business entities?

The **income tax** rate applicable to business entities, constituted in Argentina, is 35%, levied on taxable income less allowed deductions. Income Tax on Dividends is Nil if paid from post Tax Profits

Minimum presumed income tax law provides that business entities constituted in Argentina are tax liable at the rate of 1% levied on assets exceeding Pesos 200,000 (some USD 50,900 as of June 2010). Tax has to be paid even if the company is not liable for income tax for that period. Any tax payable under this tax is allowed as a credit for normal corporate Income tax. Furthermore, to the extent that this minimum tax cannot be credited against Income tax, it can be carried forward as a credit for the following ten years.

Specific consumer goods are taxable with **excise tax** at different rates and with various reporting and payment requirements. It is usually levied on importer or manufacturer when the product is sold.

Value Added Tax general rate is 21% on goods and services.

Public or private documents or transactions requiring formal execution, including among others notaries' deeds, are liable to **stamp tax** in all provinces.

The main **provincial tax** is based on gross sales, with a general rate ranging from 0% to 5% of the gross revenues from the sale of goods, services and other specific activities.

The main **municipal taxes** includes Inspection, Security and Hygienic charges levied on companies and charges for street lighting, garbage removal and cleaning, levied on the assessed value of all real estate property.

Are the sales of shares subject to Income Tax?

It should be stressed that any income stemming from the sale of shares of a corporation (Sociedad Anónima) by non-resident stockholders, and by stockholders that are resident individuals, unless they are engaged in selling shares on a frequent basis, is not subject to Income Tax. To the contrary, the transfer of quotas of a Limited Liability Company (Sociedad de Responsabilidad Limitada) is subject to Income Tax.

Are there treaties to avoid the double taxation?

Argentina has signed international treaties to avoid double taxation with the following countries:

- Australia
- Austria
- Belgium
- Bolivia
- Brazil
- Canada
- Chile
- Denmark
- Finland
- France
- Germany
- Italy
- The Netherlands
- Norway
- Spain
- Sweden
- United Kingdom

How is the applicable tax system for residents?

Income tax for residents adopts the principle of world-wide income as the basis of assessment. All individuals are presumed to be resident if they live in the country for a period of more than six months in any fiscal year, being these successive or not. Income tax is levied on taxable income less allowed deductions. Progressive rates are levied on the net income from each of four specific categories of income.

Under the **Personal Assets Tax** Law, assets of individuals living in Argentina, exceeding Pesos 305,000 (some USD 77,600 as of June 2010) are liable to a tax called "Impuesto sobre los Bienes Personales", at different rates starting with 0.5% up to 1.25%. An annual return must be filed, including properties held abroad. Valuation criteria for assets are similar to those provided for Income Tax purposes.

How is the applicable tax system for the non-residents?

Those living in Argentina on a temporary basis and keeping a permanent residence abroad are considered non-residents and are subject to an income tax rate of 35%. Tax should be withheld in full by the local payer upon Argentine source income over personal work such as salaries, fees or any other kind of payment. Non-residents are entitled to deduct from gross income, optionally, 35% thereof or duly documented expenses incurred to obtain and keep taxable income. Those living on a temporary basis and keeping a permanent residence abroad are subject to 35% flat rate after deducting expenses withheld in full by the local payer upon Argentine source income over personal work such as salaries, fees or any other kind of payment.

Personal Assets Tax Law, determines that assets, except for stocks and land without improvements, of non resident are liable to the “Impuesto sobre los Bienes Personales”, at the rate of 1.25%. For stocks belonging to companies domiciled in a tax heaven country the rate applicable is 2.5%.

Are dividends paid by local corporations subject to Income Tax withholdings?

In principle, dividends paid by local corporations, either to residents or non-residents, and remittances of profits abroad, is not subject to Income Tax withholdings. Dividends paid or profits remitted abroad, in excess of the taxable income accumulated at the end of the fiscal year preceding to its distribution or remittance, less any Income Tax paid plus any dividends received, are subject to an Income Tax withholding of 35% (Equalization tax).

Is there any other tax to consider while doing business in Argentina?

Yes. There exists a Tax on Debits and Credits on Checking Accounts and other Transactions. This tax shall be applicable to all credits and debits made in any bank account, whatever their nature may be; to all own or third parties' funds movements, even in cash, that any individual, made on its own account or on account and/or in the name of any third party, by any means, their denominations and legal implementation, including those movements to credit funds to establishments adhered to credit and/or debit card systems.

The general tax rate is 0.6% for credits and 0.6% for debits, except for certain specific cases. Moreover, there are special tax rates for certain transactions performed by specific individuals. A small part of it may be taken as a tax credit.

What if the funds on a taxpayer bank accounts belongs to a third party? Is he subject to tax on Debits and Credits?

All transactions or delivery of funds owned or belonging to third parties that any person may make on its own account or on the account of third parties is subject to Tax on Debits and Credits.

Is there a simplified tax regime?

Yes. The Single Simplified Tax is paid voluntarily, applicable to individuals and small entities that perform few activities, which income does not surpass a threshold set by the act. The taxpayer can choose whether to pay Income Tax, VAT and tax upon self employed workers, or substitute them paying Single Simplified Tax on a monthly basis. The tax is determined considering a scale of income.

Small taxpayers may include individuals and undivided estates as continuators; joint ventures and irregular partnerships of up to three partners, always provided that all partners shall meet the conditions to be small taxpayers. In the case of companies, both the company and each of its partners, must meet the conditions to fall into the Simplified Regime.

EMPLOYMENT & SOCIAL SECURITY SYSTEM

Is there a tax regime for self employed?

Yes. Contributions to this regime must be paid by all those who are self employed workers, including directors of corporations, managers of limited liability companies, legal representatives of Argentine branches of foreign companies, etc.

Workers fall into a category according to the activity they carried out, and according to the annual gross income earned in the immediately preceding calendar year.

The worker must review the amount of his gross income once a year and, if necessary, reclassify himself in a new category. Those workers who, during a fiscal year, shall have obtained net profits (gross income less the expenses necessary to obtain it) may be included, during the entire following year, in the category immediately below the one that would have corresponded to them.

The contribution to retirement of self-employed workers must be allocated to the Social Welfare Fund.

Who has the obligation to register with the authorities the self employed worker?

The self employed workers are responsible for registering themselves with the pertinent authorities and are independent from the company that hires their services. Thus, the company hiring their services must not follow any kind of formalities.

Is the company that hires the services of a self employed worker responsible to pay the taxes of the self employed?

No. The responsible for paying the tax is the self employed worker.

How is the social security regime for a self employed worker?

Independent workers have to contribute to the Social Welfare Fund system with an amount related to their estimated income and the activities performed. The monthly average contribution is around Pesos 250 (some USD 64 as of June 2010).

Companies' board members are compulsory affiliated as independent workers to the Social Welfare Fund.

How is the employment system?

Either party is allowed to terminate the relationship without cause or need to give notice. Indemnification rights are not applicable. There is a **legal trial period** of three months.

Parties are to serve notice on each other prior to the termination of the contract, in order to inform that the contract is to be terminated on a given date. **Unjustified dismissal** gives the employee right to indemnity for dismissal without cause, plus damages.

Annual Complementary Salary is a **bonus** paid half yearly and is equal to 50% of the highest monthly salary in the previous six months

All employees are entitled to an annual period of paid **vacations** that should be taken between October 1 of each year and April 30 of the following year, the length of which depends on years of service.

How is the social security regime?

Both parties have to contribute to the Social Welfare Fund and the health care system. Employees pay 15.5% of gross salary. Employers pay between 23% and 27% depending on the activity and the age of the employee.

Are there any special requirements for foreign nationals?

Providing that foreign nationals have a certificate of permanent or temporary residence issued by the national immigration authorities, they have no restrictions. It is necessary to comply with the contributions due to the Social Welfare Fund.

Is the per diem paid to employees or managing directors subject to taxes?

As long there is an invoice in the name of the company, following the tax formalities, supporting the expense (car rental, restaurant and hotel bills, etc.) per diem it is not subject to income tax.

Nevertheless, if the issue is relocating personnel, the housing expense, as long the contract is between the company and the proprietor, it is not considered as part of the salary/fee, and not subject to Income Tax.

Tuition and private health system are considered as part of the salary/fee, and therefore subject to income tax.

Is a non resident managing director subject to income tax?

Non residents may have income from other sources. If this income is not related with businesses in Argentina it will not be taxed for it in Argentina.

Is a non resident managing director subject to social security payments?

Managing director or a board member of a company in Argentina is exempted from Social security payments. The company does not need to pay for him the social security costs 23%. This privilege is due to the fact that the managing director has legal responsibility to the company.

Can be made a Fixed-Term Employment Contract?

Yes. It must be executed in writing and has a pre-determined date of commencement and another of conclusion during which period the purpose agreed by the parties develops and extinguishes. It may be entered for a term of up to 5 years, is renewable for terms equal or different from those initially anticipated. It pays the total percentages of dues and contributions in force to the Social Welfare Fund and is also subject to Income Tax, if applicable. There is no trial period. In case of dismissal or renewal the employer is obliged to give prior notice no less than one month or more than two months in advance. Otherwise, it becomes an undetermined term contract of employment.

Is it possible to make a Seasonal Employment Contract?

Yes. This way of hiring the services of an employee is for an undetermined time and of discontinued performance. It exists when the relationship, resulting from the activities inherent to the normal conduct of business of the company or undertaking, is only necessary for certain times of the year, and is likely to be repeated in each cycle due to the nature of the activity. It pays the total percentages of dues and contributions in force to the Social Welfare Fund and is also subject to the Income Tax, if applicable. There is no trial period.

Can be made an Eventual Employment Contract?

It is used for extraordinary services determined beforehand or temporary requirements of the company, for which a certain term for the termination of the agreement may not be anticipated. The relationship begins and ends with the conclusion of the work, the execution of the act or the provision of the services for which the employee was hired. It pays the total percentages of dues and contributions in force to the Social Welfare Fund and is also subject to Income Tax, if applicable. The contract is terminated the day when the eventuality ceases and no prior notice or compensation is required. If the reason for which the worker was hired ceases and he continues working, the contract shall automatically become an undetermined time contract of employment. The employer may use this modality by direct hiring or through a duly authorized company of temporary services.

Does a regime for Educational in-Service Training exists?

Yes. This kind of contract it is not regulated by law. It is an education relationship to give practical experience supplementary to the theoretical instruction that qualifies for the practice of the profession. In order to benefit from this regime the person must be older than 18 years old. A master agreement between a company and the university and later an individual agreement between the student, the company and the university must be signed. It should not comprise less than 2 months a period nor more than 12. Upon termination, it may be renewed for up to another 6 months and a new individual agreement must be signed among all the parties. If upon the conclusion of the in-service training the student is hired by the company for an undetermined period of time, the company may not use the trial period stated by the Contract of Employment Law. It is established a maximum hourly load of 20 hours per week. The employer must pay the trainee an incentive compensation that does not pay dues or contributions. The amount of such compensation shall be calculated on the basic salary of the collective bargaining agreement applicable to the company and shall be proportional the hourly load agreed upon.

Can a Part Time Contract be made?

Yes. Both parties agree upon a certain number of hours per day, week or month, fewer than two thirds (2/3) of the normal working hours pertaining to the activity. Remuneration may not be lower than the pro rata amount over the full-time working hours established by the Law or by the Collective Bargaining Agreement. If the working hours shall exceed the 2/3 parts of the usual working hours for the activity, the employer shall pay the remuneration corresponding to a full-time employee. Part-time workers may not work supplementary or extraordinary hours. The dues and contributions to the Social Welfare Fund shall be those corresponding to a full-time employee. The remaining dues and contributions shall be determined taking into account the time actually worked.

Can a Contract of Apprenticeship be made?

Yes. This contract allows to hire unemployed young people aged from 16 to 28 years old to work and acquire a theoretical and practical experience. The life of the contract may be from three months to one year and shall be included within an education program, which shall finally define the extension thereof. The work may not exceed the 40 hours per week including the number of hours devoted to theoretical education. Those who have had a prior employment relationship with the same employer are excluded from this kind of contract. The contract is not renewable and the company may not enter a number of contracts exceeding 10% of the aggregate of its contracts for an undetermined period of time. The contract shall conclude upon the fulfillment of the term agreed. For this purpose the employer must give a prior notice with thirty days in advance. If he fail to do so, the employer must pay a compensation to replace it amounting to a half-month salary. If the employer shall default the obligations established in the legislation that regulates this kind of hiring, the apprenticeship contract shall become a contract for an undetermined period of time for all its purposes.

FOREIGN INVESTMENT IN REAL ESTATE

Can a foreign investor buy immovable property in a frontier zone?

Certain areas of national security, such as frontier zones, are restricted to foreign ownership. If a foreign investor wishes to buy a property on such an area must have the prior consent by the Security Zones Commission. The investor must provide to the Commission all the documentation regarding the buyer in Spanish and duly notarized by the Argentine consulate on the country of origin. The Commission has complete discretion regarding the granting of the approval.

Is there any specific location for business and plants?

The bulk of Argentina's business and industrial activities are concentrated in Buenos Aires and surrounding area, with industry spreading north westward along towns located on the Paraná river as far as Rosario and Santa Fe. Cordoba is also an important industrial center. New plants are forbidden within the precincts of the city of Buenos Aires.

Is an investment in real estate excepted to the mandatory deposit requirement?

Direct investments in real estate is included among the exceptions to the mandatory deposit requirement. Real estate investments other than for business purposes, e.g. for personal residence, vacation or lease-Only funds entered by a non-resident for the purchase of the piece of real estate will be considered as direct investment.

Funds brought into Argentina by a non-resident for refurbishing the purchased piece of real estate, or to make any kind of constructions on a piece of land, will be considered to be a portfolio investment and therefore, subject to the mandatory deposit.

Which is the procedure for buying a property by a foreign investor?

If the buyer will not be present during the process, the buyer must appoint a representative. The empowerment must be granted in presence of a notary public. In order to do business in Argentina the buyer must obtain from the Federal Revenue Service (AFIP) a CDI (Clave de Identificación). A bank account in Pesos to receive or transfer funds must be opened. In this account will be deposited the proceeds of rents as well as the payment of the related expenses, taxes and services.

Which is the procedure of selling a property by a foreign investor?

Every transfer of a property made for properties over Pesos 300.000, must be declared before the Federal Revenue Service (AFIP). In order to declare such transaction the seller shall get from AFIP the "Code of Offer of Transfer of a Property" (COTI), by informing the names of buyer and seller, the property and the value of the transaction. The procedure can be done through AFIP's website, by phone or text message. The COTI has a validity of 24 months, but extendable 12 months if a construction will be made.

Is anything else needed?

Once the private contract of sale (boleto de compraventa) is signed the seller shall get from AFIP the "withholding certificate" in which is determined the amount of pesos that the public notary will withhold to the seller to comply with income tax purposes at the time of signing the deed of conveyance executed before a notary public.

Is it possible to insure abroad any kind of interests falling within Argentine jurisdiction?

Argentine law prohibits insuring abroad any kind of interests falling within Argentine jurisdiction. Those who directly or indirectly offer insurance coverage or enter into insurance contracts without being duly authorized to do so, may be subject to fines and other sanctions and penalties.

FOREIGN TRADE

Is it necessary for the importer to register before the Customs Office?

Yes. Individuals or corporations wishing to import or export goods into or from Argentina must generally be registered in the Importers and Exporters' Registry before the Customs Service. If they engage in it only sporadically, they have to request an authorization from the Customs Service for every operation they wish to perform.

Where else the importer must be registered with?

It should be noted that in general, in order to be registered in the Importer's Registry, the individual or corporation must be registered as taxpayer before the Federal Revenue Service (AFIP).

Which formalities is necessary to comply with?

Since the second half of 2008 the Trade Secretariat has imposed a non automatic import license. The obtention of this license, which takes in total non less than ninety days, resulted in a lack of inventory of certain goods such as car spare parts, tires as well as fasteners. There is no written evidence on import barriers. However, in recent months China as well as the Eurozone and Brazil complained about the application of such "non existing" barriers by the Trade Secretariat which resulted in hindering the inflow of certain goods. Argentine officials say that their policies are in line with WTO admitted procedures.

Are there any import duties?

The key issue when importing goods into Argentina is the tariff classification of the underlying goods. The tariff classification will not only determine the applicable duty rate but, among other things, statistics fee, Value Added Tax rate, prohibitions, certain exchange control rules, terms of payment, technical requirements, sanitary requirements, rules of origin, and labeling. The import duty is generally ad valorem, that is, based on a percentage of the value of the goods. The customs value or taxable base for the calculation of import duties is the transaction value on a CIF basis. Mercosur has adopted ad valorem rates ranging from 0 up to 35% percent. Therefore, in order to calculate the import duties payable on imported goods, it is essential to properly determine the value of the goods for customs purposes.

What is applicable rate for statistics fee ?

The tax rate currently in force is 0.5%. It is levied on the transaction value on a CIF basis of the imported goods. However, the statistics fee is subject to maximum amounts, depending on the value of the imported goods (e.g., where the value of imported goods exceeds USD 100,001, the applicable statistics fee is USD 500).

What is the applicable rate for Value Added Tax (VAT) on imports?

Value Added Tax (VAT) currently amounts to 21% of the aggregate of the CIF value of the products, the import duties and the statistics fee. Certain capital goods are subject to a reduced 10.5% VAT rate. There is a VAT additional advance of 10% or 5% in the case of goods subject to reduced VAT rate. These rates may be increased to 20% or 10%, respectively, provided that certain requirements are not met. VAT paid by the importer may be offset against its output tax arising from its commercial activity.

What is the applicable rate for Income Tax?

When the importer is not the final user of the imported goods a 3% advance of Income Tax must be paid. If this were the case, the advance Income Tax rate will be increased to 11%. The 3% rate will also be increased to 6%, provided that certain requirements are not met. The 3% advance of the Income Tax shall be computed for the importer's annual Income Tax.

Is there any other tax to be paid by the importer?

A 1% advance on turnover tax must be paid. Advances of both VAT and Income Tax shall not be applicable to imports of goods intended for the use of the importer.

Is it possible to make a Temporary Importation?

A temporary importation involves the entry of goods into the Argentine territory to remain for a limited period of time and for a specific purpose. There are basically two types of temporary importation procedures: **(1)** goods which are to be exported in the same condition as they entered the country. Such goods must be re-exported at certain periods of time, depending on the nature of the goods; **(2)** goods which will undergo a process of transformation, manufacturing or repairing and be re-exported. In general, such goods must be re-exported within a two-year term (“Inward Processing Procedure”).

Does a Temporary Importation liable with import duties?

No import duties are applicable to the importation of goods under these regimes, except for certain service fees. Nonetheless, in order to import goods under these regimes, a guarantee must be provided to the Customs Service to ensure the payment of duties and/or penalties that may apply. Under the temporary import regime, the importer is not allowed to sell, lease, lend, or otherwise transfer the tenancy of the imported goods, unless it is expressly authorized by the Customs Service. However, and subject to the Customs Service’s approval, under the procedure mentioned in (2) above, the importer might transfer the temporary imported goods when part of the production process must be necessarily made by a third party. In this case, the original importer will remain liable before customs for compliance with all obligations imposed as a condition for the granting of this regime.

Is it possible to extend the original term of the Temporary Importation?

Yes. Extensions of the terms originally granted may be authorized, as long as certain conditions are met. If the temporary import status expires without exporting the goods or without requesting the authorization from Customs to place the goods under the definitive import procedure, the importer will incur in an infringement of the Customs Code, this being the failure to comply with the obligations imposed as a condition for the granting of the temporary importation regime. In such a case, the importer will have to pay the import duties and applicable taxes, if any, and a penalty equal to the higher of one to five times the import duties and applicable taxes, or 30% of the custom value of the imported goods. Importer may be subject to penalties for misrepresentation.

Is it possible to transform the temporary into a Definitive Import?

Yes. In order to import the goods under the definitive import procedure, the importer shall request authorization from the Customs Service, paying the applicable import duties. The Customs Service is entitled to place the goods under the definitive import procedure unless a prohibition is applicable and/or the purpose of the temporary import procedure is affected by such a decision. Besides the applicable import duties, definitive importation of temporary imported goods may be subject to additional duties.

What may happen if the importer infringes the Customs Code?

The importer and/or exporter registered before the Customs Service will be subject to the requirements and penalties set forth in the Customs Code.

Are there any export duties to comply with?

In general, exports are subject to export duties varying from five per cent (5%) (manufactures) to thirty five per cent (35%) (commodities) of the FOB value of the pertinent goods (oil and certain derivatives from petrol may be subject to other export duties). Resolutions from the Ministry of Economy established additional export duties for agro products, among others, of 35% for soybean, 32% for

sunflower, 23% for wheat, 20% for corn and 15% for meat. The exportation of goods is exempt from VAT and turnover tax.

Are there any formalities to comply with?

The Trade Secretariat and other offices have imposed different kind of barriers applied to the export of certain agro products. Based on the concept that it is first needed to supply the internal market, Argentina has lost predominance as an exporter of meat, wheat and powder milk. As a matter of fact Brazil and Uruguay meat replaced the exports that Argentina was not prepared to comply with due to this policy.

Can the exporter keep the proceeds of his collections abroad?

Exporters must bring foreign currency proceeds from exports into Argentina in the mandatory terms prescribed by the Central Bank. Foreign currency must be sold by the exporter in the Foreign Exchange Market.

What may happen if the exporter infringes the Customs Code?

Argentine exporters are subject to Exchange Control Regulations and to the Criminal Exchange Control Regime.

Does Argentina promotes its exports?

The main measures for promoting exports are Drawbacks and Refunds. A Drawback is a customs regime through which taxes paid for definitive importation are totally or partially reimbursed, provided that the goods were definitively exported and that certain conditions are met. The Refund regime is the one in which the inland taxes paid for the goods sold for exportation, or for the services rendered related to such goods, are totally or partially refunded. The inland taxes mentioned above do not include the taxes paid upon definitive importation. The refunds regime is compatible with the drawback regime.

The purpose of this booklet is to provide an outline on business conditions in Argentina as of June 2010. Please take into account that it indicates broad basis on which to proceed and it is primarily intended for the use of the clients, and staff of the firm of **Papantos, Parrella & Asociados**. Be aware that parts of this booklet may become outdated. Please confirm its continuing applicability with our office and obtain sufficiently detailed advice for all specific queries.