



Agencia Argentina
de Inversiones
y Comercio Internacional

DOING BUSINESS IN ARGENTINA

An Investor's Guide

JANUARY 2018

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POLITICS
DEMOGRAPHICS
ECONOMY

1. OVERVIEW

POLITICS

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

> Representative, Republican and Federal form of government.

The President is elected to serve a four-year term by direct popular vote under a two-round system (a second round of voting will be required if no candidate receives at least 45% of the vote in the first round or if the winner has 40% of the vote but with a victory margin of less than 10% over the second-place candidate). The President is eligible to be re-elected for a maximum of one additional consecutive term.

The Bicameral National Congress (*Congreso Nacional*) is made up of 72 seats in the Senate¹ and 257 seats in the Chamber of Deputies. All members are elected by direct vote. One third of the Senate is elected every two years to serve a six-year term, and one half of the Deputies are elected every two years to serve a four-year term.

Argentina is divided into 23 provinces and the Autonomous City of Buenos Aires. Each province is autonomous and is also divided into three levels (Executive, Legislative, and Judicial branches) according to their own constitutions. Also, each province is divided into administrative units (i.e. municipalities) which are not autonomous but have their own budgets and administrative structures.

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

FEDERAL
GOVERNMENT

3

BRANCHES



EXECUTIVE
PRESIDENT
4-YEAR TERM



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



JUDICIAL

23
PROVINCES
+
AUTONOMOUS
CITY OF
BUENOS
AIRES

DEMOGRAPHICS

According to the 2010 census, Argentina has a population of 40,117,096 inhabitants, of which 20,593,330 are women and 19,523,766 men (94.8 males per 100 females).

Population density is 10.7 people per square kilometer (km²) of land area, well below the world average of 53.4 people per km² according to the World Bank for the same year (2010).

The annual population growth rate for Argentina in 2016 was estimated at 0.99% by the World Bank. The proportion of people below the age of 15 in 2010 was 25.5%, 64.3% were between 15 and 65 years of age, while 10.2% were 65 years of age or older.

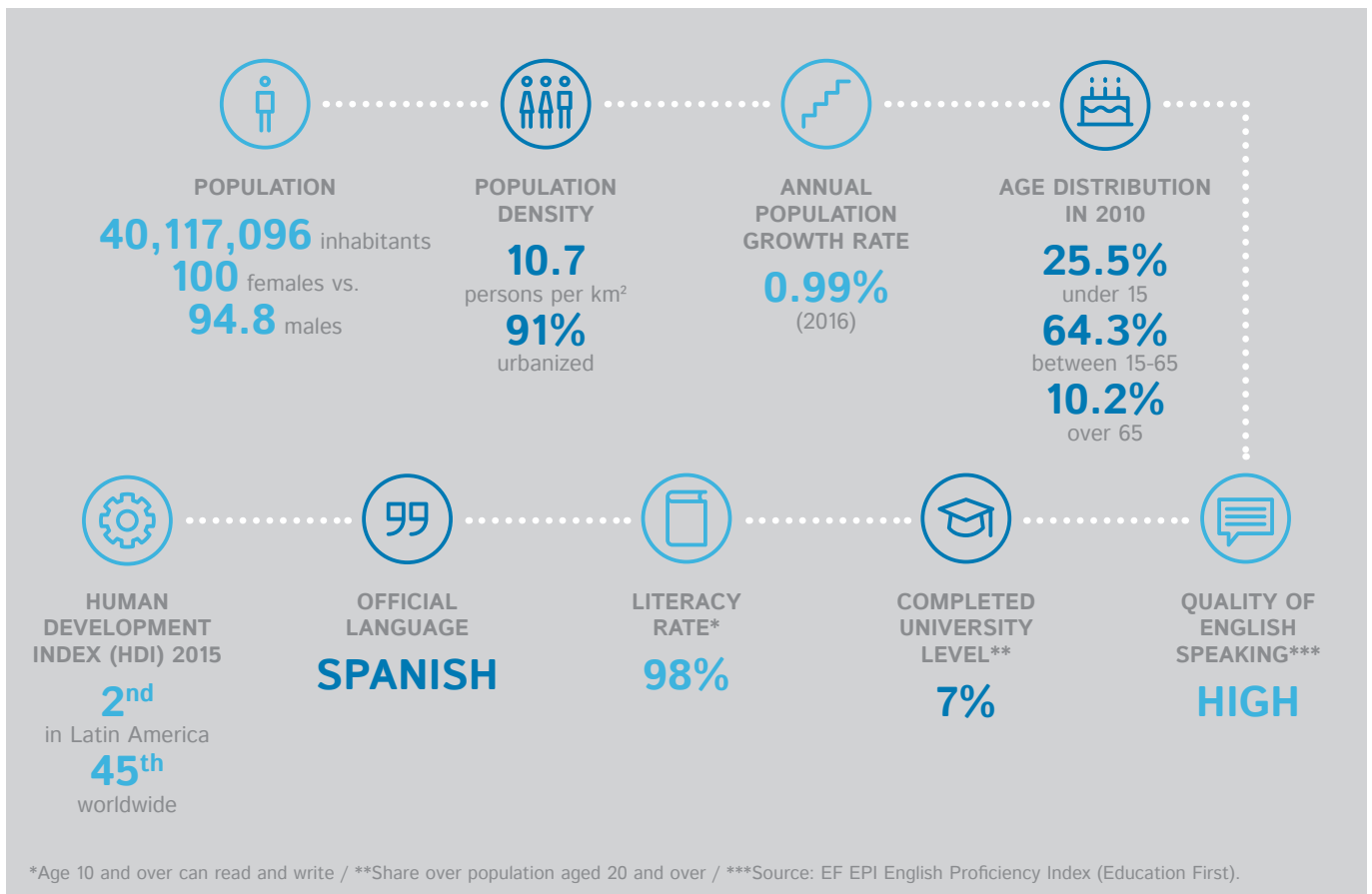
The population is not homogeneously distributed amongst the provinces, with the Pampas region accounting for 63%

of the population, with only 20% of the total surface area. The Autonomous City of Buenos Aires is the most densely populated city with 14,450 inhabitants/km², followed by Tucuman (with 64.3 inhabitants/km²), while the southern province of Santa Cruz has only 1.1 inhabitant/km².

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

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

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



ECONOMY

GDP and Economic Activity

Argentina is the third largest economy in Latin America in terms of Purchasing Power Parity (PPP) GDP. In 2016, its nominal GDP in dollars reached 544.7 billion (879.4 billion PPP) and nominal GDP per capita was close to US\$12,500 (US\$ 20,700 per capita in PPP terms). The country has grown at an annual average rate of 2.1% in the last 10 years (2006-2016).

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

The country is a leading food producer. Argentina is the world's third largest producer of soybean, soy meal, soybean oil and corn; the fourth largest producer of sunflower (seed, meal and oil) and sorghum; the seventh producer of barley and the twelfth producer of wheat.²

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

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

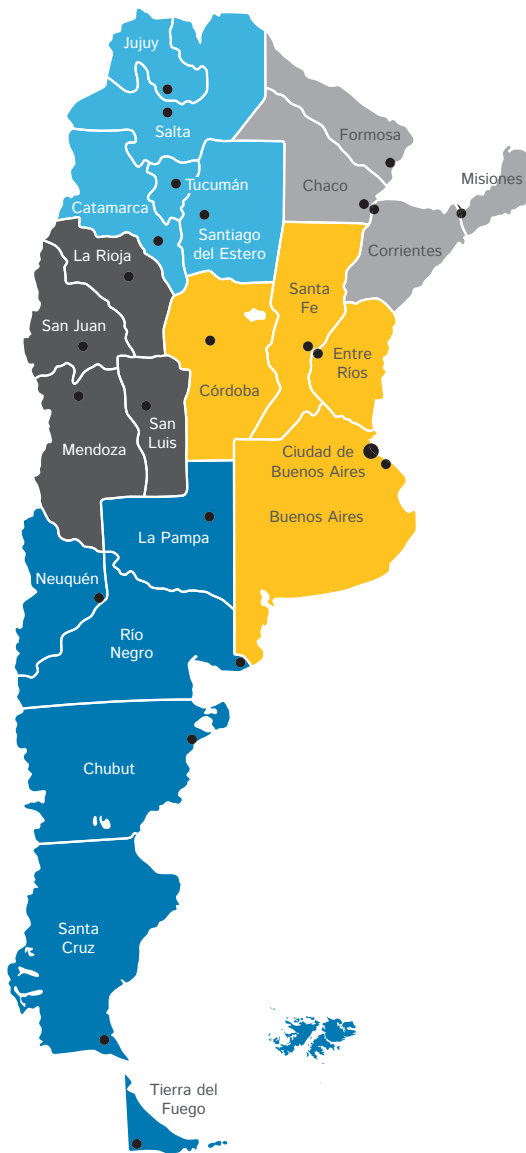
> Argentina holds the fourth largest shale oil and second largest shale gas reserves in the world. Other valuable resources include gold, copper, lead, zinc, lithium, natural borates, bentonite, clays and construction stone.

² 2015/2016 crop season data.



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

The provinces are usually grouped into regions:

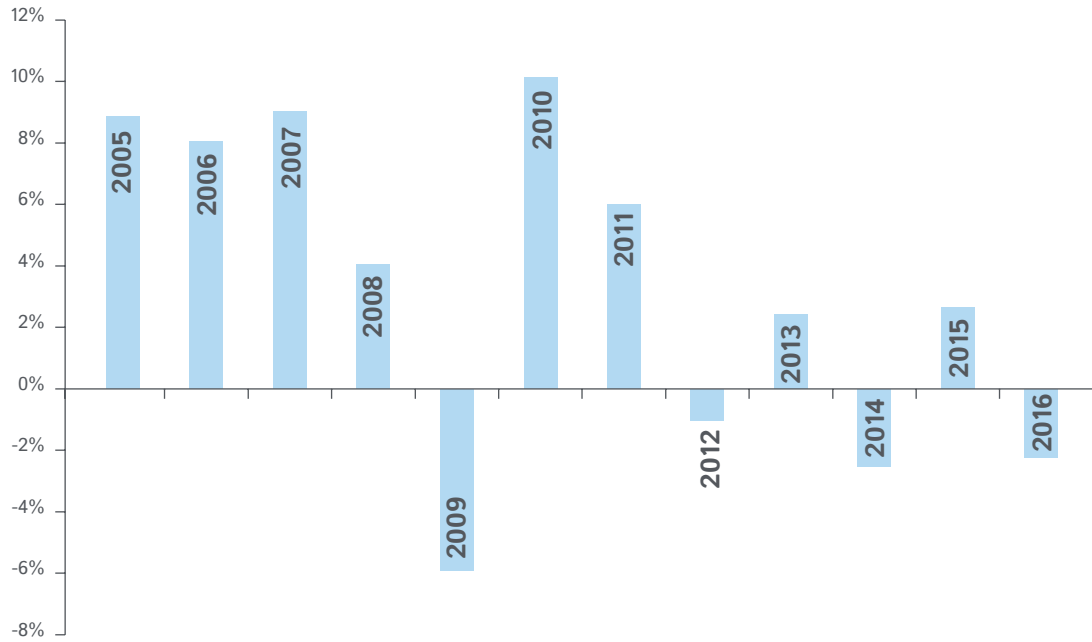


Argentina has valuable natural resources throughout its territory.

The most relevant sectors by region are as follows:

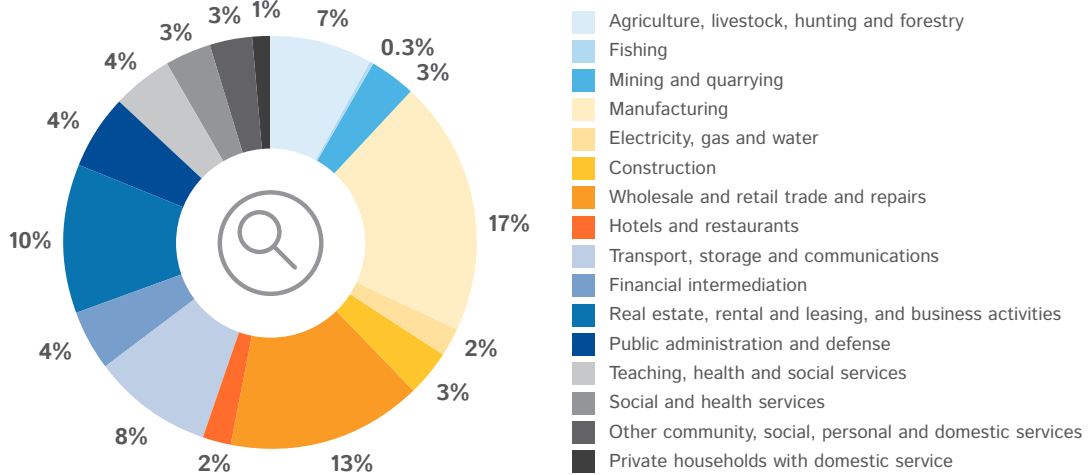
CUYO	Mining: gold, silver, copper. Wine, dried fruit. Renewable energy.
CENTER	Agricultural products: soy, wheat, maize, sunflower, peanut. Cattle raising. Automotive industry. ICT. Real estate. Agricultural equipment.
PATAGONIA	Fish. Fruit. Petroleum /shale oil/ shale gas
NORTHWEST	Agricultural products: soy, maize, sugar cane. Mining: gold, silver, lithium, potassium. Renewable energy. Gas.
NORTHEAST	Agricultural products: rice, soy, maize, yerba mate, tea. Forestry. Citrus industry.

Real GDP growth



Source: own elaboration based on INDEC.

Composition of GDP by economic activity, 2016



Source: own elaboration based on INDEC.



Foreign trade

In 2016, Argentina swung back to trade surplus, after the deficit reported in 2015, which was an exception since 2002. In the last 15 years, exports have shown a 125% increase in nominal dollar terms, at an annual average rate of 6%; while imports increased by 519%, at an annual average rate of 14%.

Argentina's main trade partners are Brazil, China and the United States, both for exports and imports of goods. Of the products sent to Brazil, 63% are industrial manufacturing products, 59% of which are vehicles. The main products exported to China are soybean-related products (over 63%), while the main items sent to the United States are biodiesel (26%) and wine (6%).

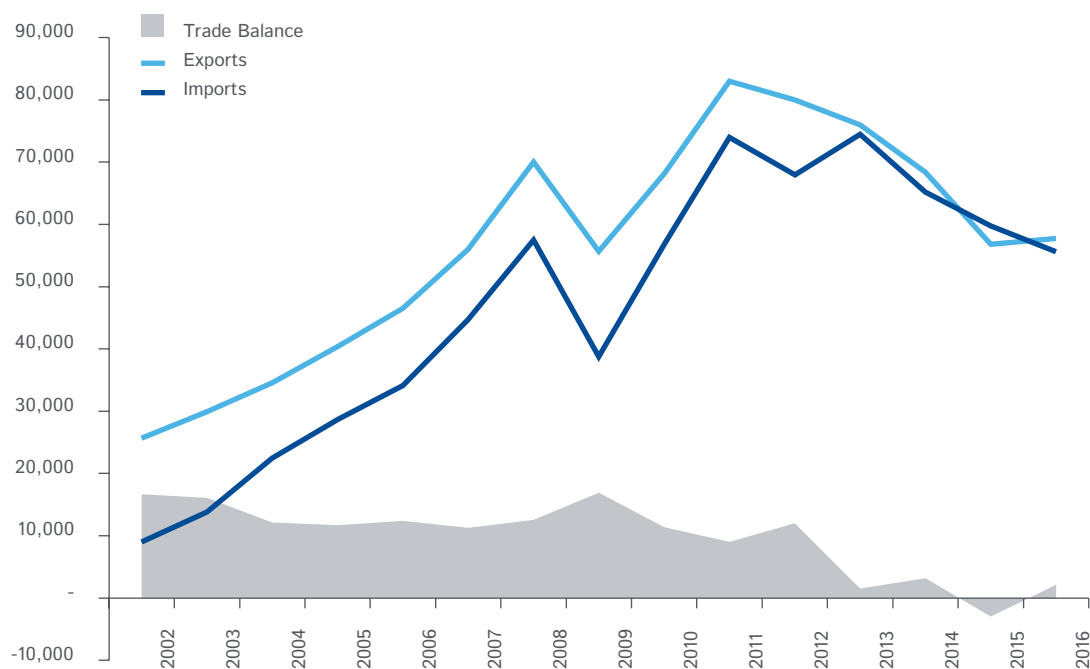
On the import side, Argentina buys mainly vehicles from Brazil (46% of its total imports), electrical and electronic equipment from China (33%), and mineral fuels, mineral oils and mineral waxes (17%) from the United States.

Historically, Argentina has had a negative trade balance of services. But two items have been showing positive balances (i.e., exports higher than imports): business, professional, and technical services, and computer and information services. Recent years have seen a consolidation of export-oriented services companies mainly due to the human talent available in the country.

> In the last 15 years, exports have shown a 125% increase in nominal dollar terms, at an annual average rate of 6%; while imports increased by 519%, at an annual average rate of 14%.



Foreign trade, US\$ million



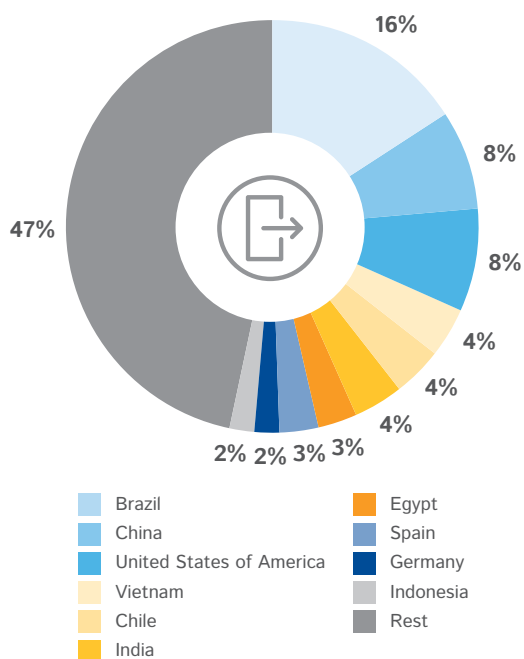
Source: own elaboration based on INDEC.

Exports and Imports, percent distribution according to the Sections of the Harmonized System

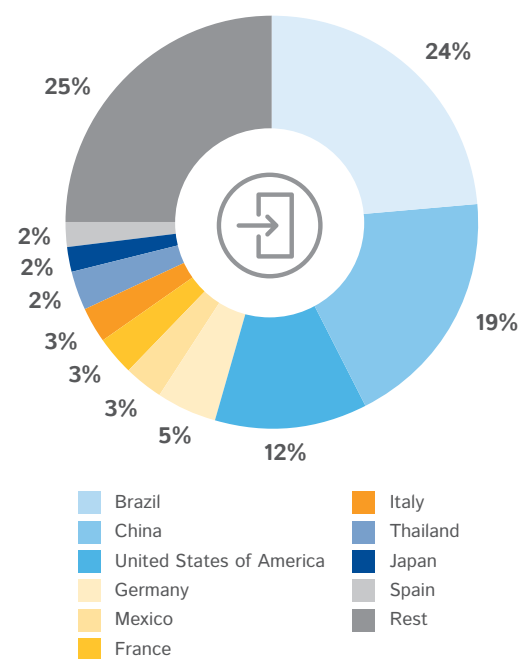
	Export	Imports
I Live animals and products of animal origin	7%	-
II Products of vegetable origin	23%	2%
III Fats and oils	9%	-
IV Feeding products, beverages and tobacco	25%	2%
V Mineral products	4%	9%
VI Industrial products	8%	15%
VII Plastic rubber and its manufactures	2%	6%
VIII Leathers and leather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

Foreign trade by partner:

Export 2016



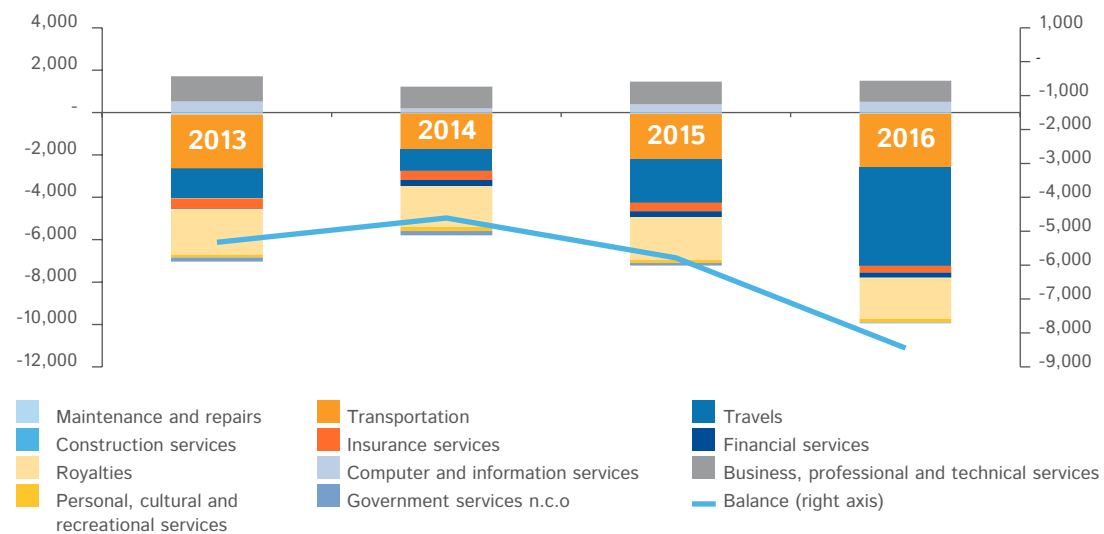
Import 2016



Source: own elaboration based on INDEC.

Source: own elaboration based on INDEC.

Service Balance



Public Sector

Government revenue has been stable at around 21% of GDP over the last ten years (2006-2016). Tax collection accounts for more than half of this, social security income for one third, and the rest comes from capital resources, property income, current transfers and sales of goods and services.

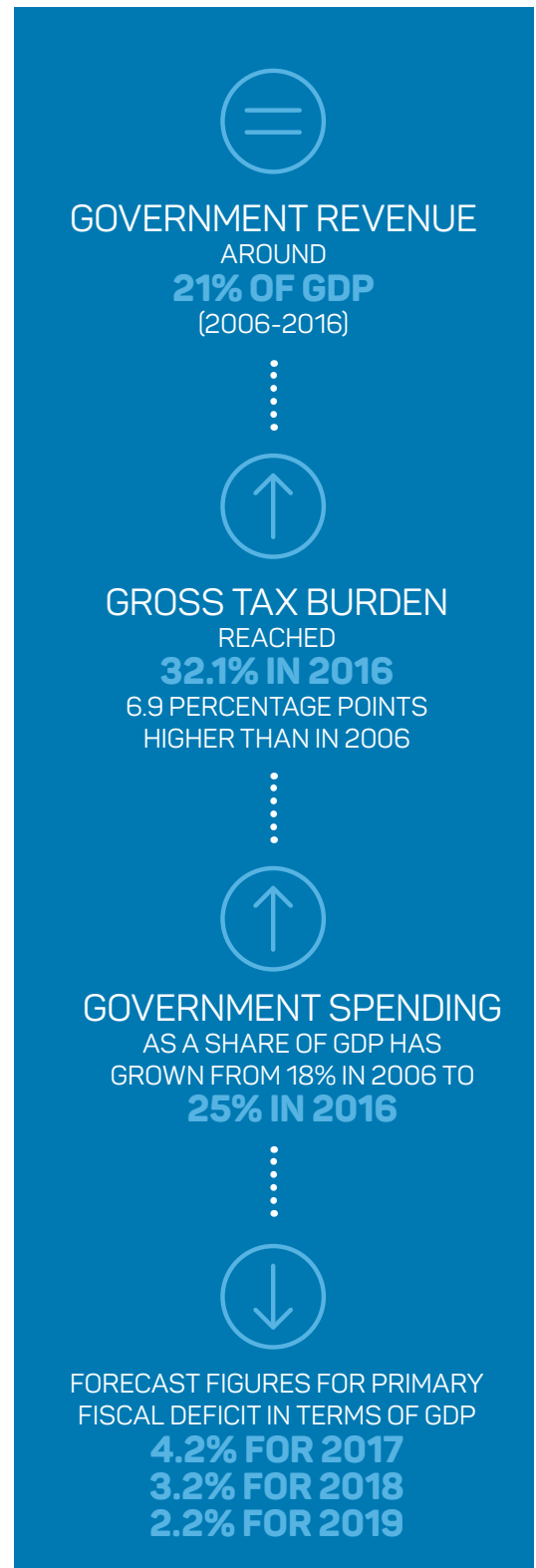
On the other side, Government spending as a share of GDP has grown from 18% in 2006 to 25% in 2016. More than 75% of expenditures are concentrated in 3 areas: 50% are salaries and social security expenses and around 25% are transfers to the private sector.

Gross tax burden, including national, provincial and municipal taxes (which is defined as the percentage ratio obtained by dividing total tax revenue by GDP), reached 32.1% in 2016, 6.9 percentage points higher than in 2006.

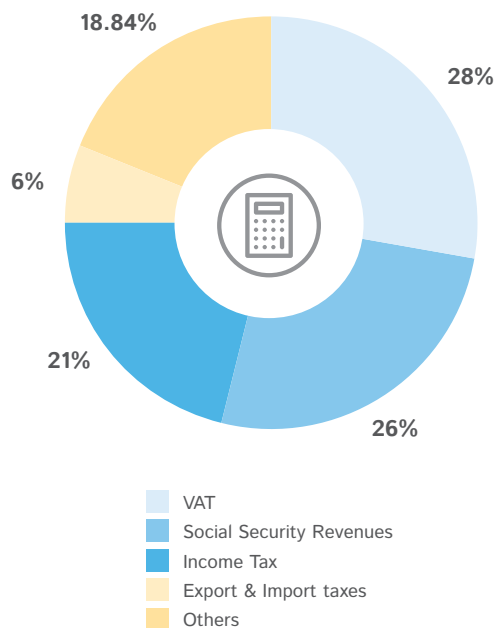
During 2016, the National Government set out the path for adjusting the fiscal deficit in a gradual fashion. Forecast figures for primary fiscal deficit in terms of GDP are: 4.2% for 2017, 3.2% for 2018, and 2.2% for 2019.

After more than 14 years, in April 2016, Argentina exited from its debt default. This has allowed the country to reduce country risk and regain access to the international capital markets. The main performing government bonds are Discount 2033 (DICA), BONAR 2017 (AA17), BONAR 2019 (AMX9), BONAR 2024 (AA24), Discount 2033 (DICY).

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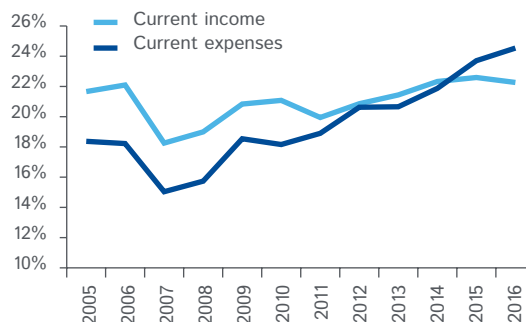


Taxes, share % 2016



Source: own elaboration based on MECON.

Income and expenses to GDP ratio



Source: own elaboration based on MECON.



INFLATION TARGETS (BCRA)

2017 **2% to 17%**
 2018 **8% to 12%**
 2019 **3,5% to 6,5%**

Monetary Policy & Capital Flows

The Central Bank of Argentina (BCRA, for its acronym in Spanish) is responsible for monetary policy.

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

The current exchange rate policy is based on a floating regime, and the BCRA has implemented an inflation targeting policy (January 2016). The targets set out by the BCRA are 12% to 17% for 2017, 8% to 12% for 2018, and 3,5% to 6,5% for 2019.

There are no restrictions on foreign investment. No prior approval from Argentine authorities is required, though some exceptional restrictions apply to sensitive areas, such as telecommunications, defense and oil and gas. Since the new administration took office, profits may be freely transferred and the BCRA has eliminated restrictions for banks to sell foreign currency to their clients. There is a legal system that seeks to prevent money laundering based on the recommendations of the FATF. BCRA has eased several regulations which, in the past, controlled the country's capital inflows and outflows. Foreign investors are not required to obtain government permission to make investments in Argentina. They can fully own an Argentine company, and any investments in shares listed on the stock exchange require no government approval. Any foreign companies acting as shareholders, partners or head offices of an Argentine company have to be registered with the Public Registry of Commerce. In general terms, there are no legal restrictions on capital outflow from Argentina.

Real multilateral exchange rate, base dec99=1



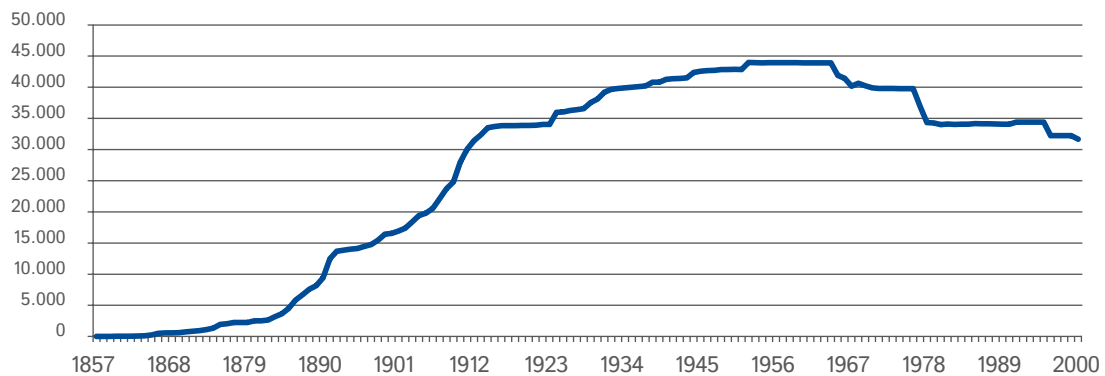
Source: own elaboration based on BCRA.

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

Infrastructure

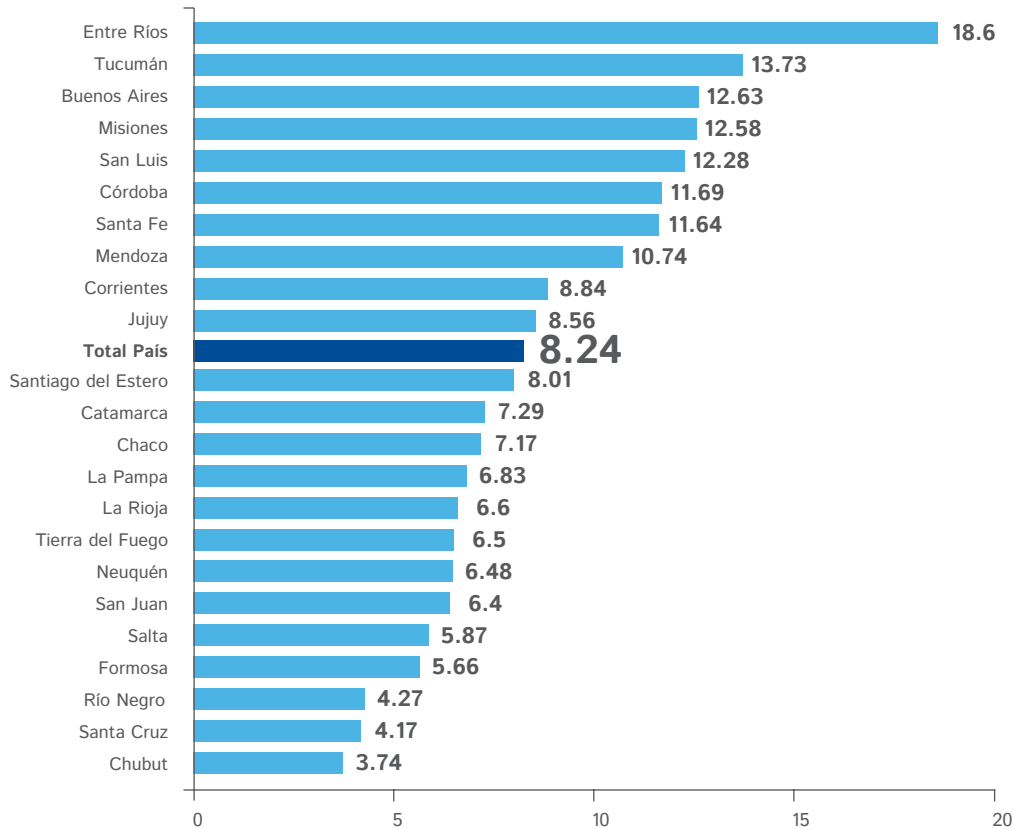
Argentina ranked 109 out of 140 countries in terms of quality of overall infrastructure, according to the Global Competitiveness Report, published by the 2017 World Economic Forum (WEF). Moreover, compared to the 2007-2008 ranking, the country has dropped 29 places, mainly due to the deterioration in the quality of its road and railway infrastructure. During the second half of the year, the National Government started to execute a major public investment program that involves the construction of 2,800 km of highways; 4,000 km of safe roads; 13,000 of paving. This context presents investment opportunities in infrastructure favored by the possibility of accessing international capital markets.

Argentine railway network length (in km)



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

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



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

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

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

> Argentina has one of the most dynamic mobile communications markets in Latin America. Mobile phone penetration was about 140% by early 2016.

> Argentina has two main energy sources: gas (52%) and petroleum (32%).

The country has 53 airports, 22 of which are international. The most relevant airports are “*Aeropuerto Internacional de Ezeiza (Ministro Pistarini)*” and “*Jorge Newbery (Aeroparque)*”, the former is located in the Province of Buenos Aires and the latter in the Autonomous City of Buenos Aires. The other relevant ones are located in Mendoza, San Carlos de Bariloche in Río Negro and Córdoba.

Regarding ports, Argentina has 40 port areas along the Atlantic Ocean coast. The Port of the Autonomous City of Buenos Aires concentrates 60% of cargo containers in the country. There are 10 other ports in the province of Buenos Aires. In the South, the Patagonia region accounts for 15 ports that are mainly dedicated to the transport of petroleum and fish. In the Santa Fe province, there are 3 ports mainly used for grain exports. Finally, there are 11 additional ports in the Northeast region.

Regarding communications, 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 phone penetration was about 140% by early 2016. Although Argentina's broadband penetration is the third highest in Latin America, after Uruguay and Chile, the average download speeds, at about 5.5Mb/s, are relatively low for the region.

Argentina has two main energy sources: gas (52%) and petroleum (32%). The other 16% is a mix of hydropower, nuclear energy, mineral carbon, firewood, bagasse, vegetable oils, alcohol fuels, wind energy, and solar energy.

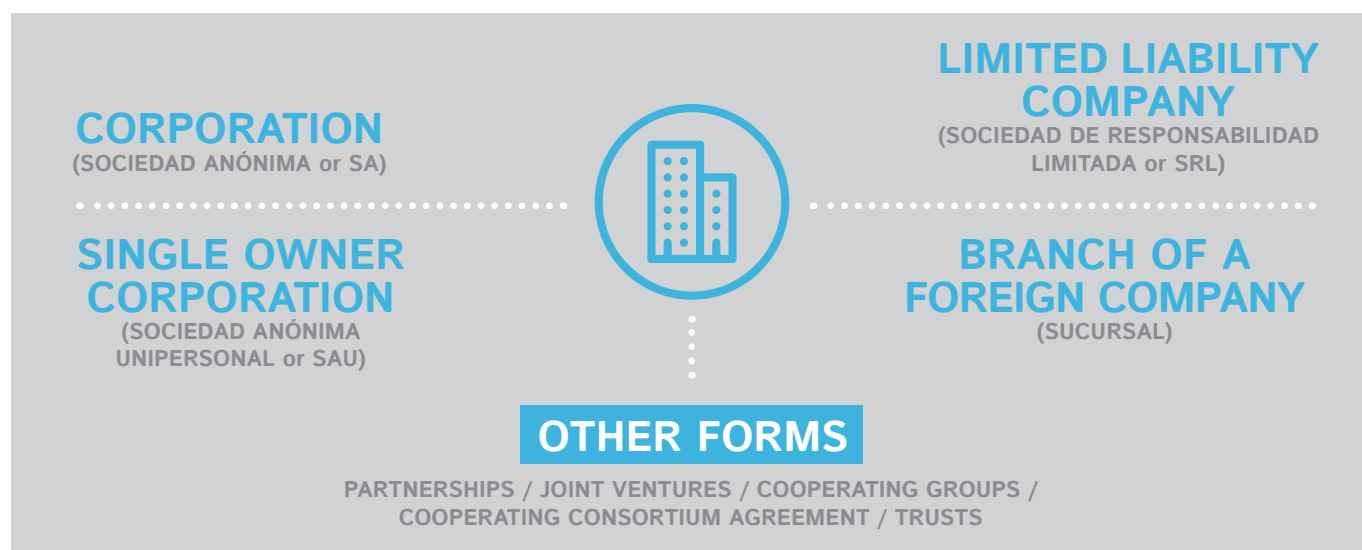




BUSINESS TYPES
REGULATORY
FRAMEWORK
INTELLECTUAL
PROPERTY
PROTECTION
PROTECTION
OF FOREIGN
INVESTMENT

2. SETTING UP A BUSINESS

BUSINESS TYPES



The most commonly used investment vehicles by non-resident individuals and foreign companies are:

Corporation (“*Sociedad Anónima*”), Limited Liability Company (“*Sociedad de Responsabilidad Limitada*”) and Branch (“*sucursal*”).

The basic characteristics of each of these entities, according to Argentine law and the regulations of the Argentine Regulatory Agency of Companies for the City of Buenos Aires (“*Inspección General de Justicia*” or “IGJ”), are set out below.

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

- Capital is divided into shares of stock. Shares must be registered and non-endorseable. According to the rights they grant, shares may be classified into common or preferred shares.
- Transfer of shares is generally unrestricted, but certain restrictions may be included in the corporation’s bylaws or Articles of Association.
- They may have one shareholder (single shareholder corporation or “*Sociedad Anónima Unipersonal – SAU*”) or more than one shareholder (multiple-member corporation).
- Shareholders’ liability is limited to their capital contributions. The minimum capital required is ARS 100,000.
- If foreign business associations hold shares in a corporation set up in Argentina, they must previously file their articles of incorporation or bylaws with the IGJ and provide evidence that these companies are doing material business abroad.

- Shareholders must hold at least one regular meeting every year for the main purpose of approving financial statements, distributing profits, and designating directors and statutory auditors. The Shareholders’ Meeting designates a Board of Directors on (at least) a yearly basis, made up of one or more persons. A majority of the Directors must be Argentine residents.
- Certain stock corporations that are subject to permanent government supervision should have their own supervisory position within the company. Depending on the circumstances, this position may be filled by an individual statutory auditor (*síndico*) or by a statutory audit committee (*comisión fiscalizadora*) appointed at the Shareholders’ Meeting.

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

The New Civil and Commercial Code allows for the incorporation of a Single Owner Corporation, a specific type of Stock Corporation. The special requirements of the SAU are as follows:

- The SAU may only be a corporation; no other entity may be registered by a single owner.
- The shareholder cannot be another single shareholder corporation.
- The corporate name should state *Sociedad Anónima Unipersonal*, or its acronym “SAU”.
- 100% of the capital stock must be fully paid up upon incorporation and it is subject to continuous Government audits. This means that it is required to have multiple statutory auditors and directors.

Limited Liability Company (*Sociedad de Responsabilidad Limitada* or “SRL”)

- Members limit their liability to the par value of the membership interests (*cuotas*) they agreed to subscribe. Membership interest transfers shall be registered with the Regulatory Agency of Business Associations.
- The number of membership interest holders shall be at least 2 and shall not exceed 50. Foreign individuals and entities may be registered as partners.
- No minimum capital required. However, the IGJ requires that the capital subscribed by members is adequate in relation to the corporate purpose.
- The SRL is managed by one or more managers. The appointment of a statutory supervisor or supervisory committee is optional for those SRLs that do not exceed a capital amount of ARS 10,000,000.
- Similar rules apply to SRLs and SAs regarding partners' and managers' liability, with a few exceptions. If more than one manager is appointed, liability will depend on the provisions of the bylaws.

> Members limit their liability to the par value of the membership interests (*cuotas*) they agreed to subscribe.

Branch of a foreign company (*Sucursal*)

- These entities must be duly organized under the laws of their country of origin, prove the existence of their head offices abroad, register the articles of association or bylaws with the Regulatory Agency of Business Associations, and appoint and register a legal representative.
- Branches are required to keep books separately from those of their head offices, and to file their financial statements before the IGJ. It is not necessary to allocate capital to the Argentine branch of a company.

Other Forms of Investment Entities and Business Participation

Partnerships (*Sociedades Colectivas*)

Pursuant to the provisions of General Business Associations Law No. 19,550 (as amended by the New Civil and Commercial Code), all partners are jointly and severally liable for the partnership's obligations once its assets have been realized. There is no minimum capital required and its liquidation must be decided unanimously by the partners.

Joint Ventures (*Uniones Transitorias de Empresas*)

The purpose of these temporary associations of business enterprises is to develop or execute specific works, services or supplies, within or outside Argentina. They can also develop or carry out activities or services that are supplementary and accessory to the main purpose. A non-resident corporation may be a member of a local UTE as long as it complies with the same registration formalities required by the local regulator for the incorporation of a branch of a foreign entity.

Cooperating groups (*Agrupaciones de colaboración*)

The purpose of these 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 the results of such activities. As with UTEs, this type of contract-based business integration does not create a separate legal entity distinct from its members.

Cooperating consortium agreement (*Consortios de cooperación*)

These are similar in nature and characteristics to cooperation groups; however, their members may agree not to be jointly and severally liable for the obligations undertaken by the legal representatives of the consortium.

Trusts (*Fideicomisos*)

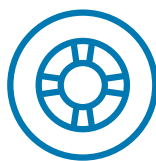
Trusts, which are a contract-based arrangement according to Argentine law, allow partners in an endeavor to isolate certain assets or property to be used for specific purposes. According to the local legal framework, the trustee may also be the beneficiary of the trust; however, in such cases, the trustee must avoid any conflict of interest and must exercise its rights favoring 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 financial trusts and last will trusts.

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REGULATORY FRAMEWORK



FINANCIAL
ACTIVITIES



INSURANCE
ACTIVITIES



CAPITAL
MARKETS
REGULATIONS



OIL
AND GAS



MINING



ENERGY AND
NATURAL
RESOURCES

Financial activities

Pursuant to Financial Entities Law No. 21,526 (FEA), which governs banking and financial activities in Argentina, the Central Bank is responsible for a) regulating and supervising all financial institutions, b) authorizing the operation, merger and transfer of the banking aspects of financial institutions, and c) authorizing the establishment of foreign bank branches and representative offices.

Insurance activities

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

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

Capital Markets regulations

The Argentine capital market is governed by Law 17,811 (as amended by Law No. 26,831) (the "Securities Law"), which established the rules for the public offering regime. In addition to the general rules set forth by law, the Argentine Securities Exchange Commission (CNV) completed the regulatory framework through Resolution No. 622/2013.

In general terms, the Securities Law reflects most of the provisions introduced in Decree No. 677/2001 on Transparency.

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

Oil and Gas

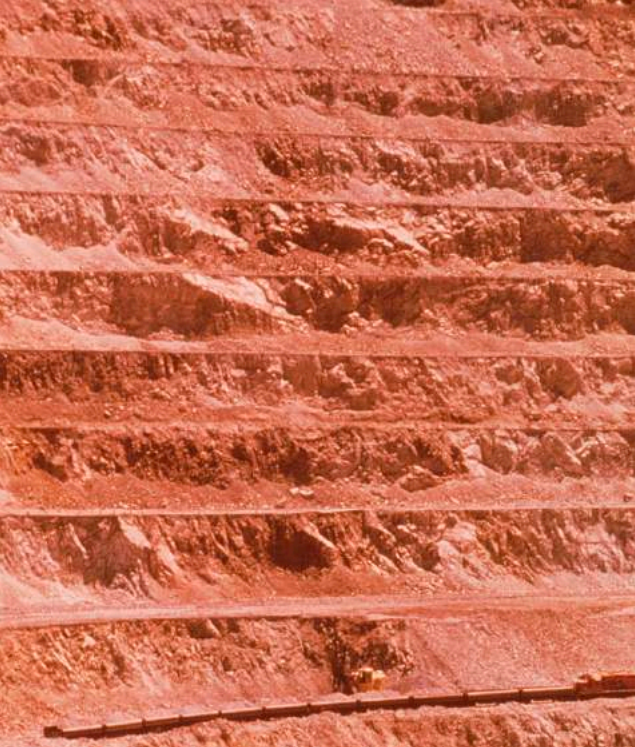
Exploration and production activities are regulated by Law No. 17,319, as amended (the "Hydrocarbons' Law"), and by subsequent regulatory decrees and resolutions. Hydrocarbon exploration, development and production require an exploration permit or a production concession granted by the federal government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

In order to obtain an exploration permit or a production concession, the applicant must go through a competitive bidding process. Once it is granted, it may be assigned with the grantor's approval. To be able to qualify for concessions or permits, all applicants must be registered with the Ministry of Energy & Mining and with any relevant provincial authorities as an oil company. In order to transport hydrocarbons through pipelines, any individual or legal entity must hold a concession granted by the federal or provincial authorities.

Mining

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

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



Energy and Natural Resources

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

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

This legal framework created four vertical divisions within the electricity sector: generation, transmission, distribution and demand. To supplement the general legal framework in the electricity sector, in December 2006 and in October 2015 the Argentine Congress passed Laws No. 26,190 and 27,191 that set the rules governing the generation, co-generation and self-generation of electricity from renewable sources of energy. The regulatory framework under “renewable sources of energy” includes the following: solar power, wind power, geothermal power, tidal energy, hydraulic power and biomass power, among others. The regulatory framework grants certain tax benefits to the individuals or entities in charge of qualified projects. In order to obtain these benefits, applicants must file their projects before the Ministry of Energy & Mining and receive a Certificate of Qualification into the “Renewable Sources of Energy Program”.

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



TRADEMARKS AND
TRADE NAMES

PATENTS
AND
UTILITY MODELS

PHARMACEUTICAL
PATENTS

INDUSTRIAL
DESIGNS
AND
MODELS

COPYRIGHT

INTELLECTUAL PROPERTY PROTECTION

Trademarks and Trade Names

Trademarks and trade names are governed by Trademark Law No. 22,362 and its implementing regulations. The law provides protection on ownership of a trademark and its exclusive use, after its registration with the Trademark Office (*Instituto Nacional de la Propiedad Industrial* or INPI).

The duration of a trademark registration and, thus, its protection, is ten years from the grant date and is renewable indefinitely for periods of ten years, provided certain requirements related to its use are complied with.

Patents and Utility Models

Patents and Utility Models in Argentina are regulated by Law No. 24,481. The Patent Law provides that patents will be granted for any invention that complies with certain requirements: mainly (i) novelty; (ii) inventive step; and (iii) industrial application. The Patent Law awards a 20-year protection term as from the date of application of each patent.

Foreign individuals or legal entities must establish a legal domicile in Argentina for the application process. The award must be registered with the INPI to be enforceable against third parties.

Pharmaceutical Patents

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

> Trademarks and trade names are governed by Trademark Law No. 22,362 and its implementing regulations. The law provides protection on ownership of a trademark and its exclusive use, after its registration with the Trademark Office.



Industrial Designs and Models

Industrial models or design registrations are granted to protect industrial production rights.

In order to apply for these certifications any foreign individual or legal entity must establish a legal domicile in the City of Buenos Aires. If the design or model was not used or publicized in Argentina before, the certification will grant protection for a five-year term, renewable for two further terms of five years each.

Renewals must be applied for not later than six months prior to the expiry of the current protection period. If a design application has been filed abroad, an application for a design registration in Argentina must be filed within six months of the filing date of the foreign application.

> If the design or model was not used or publicized in Argentina before, the certification will grant protection for a five-year term, renewable for two further terms of five years each.

Copyright

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

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

PROTECTION OF FOREIGN INVESTMENT

Foreign investors and their investments are protected by Argentine law.

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NATIONAL AND INTERNATIONAL PROVISIONS ENSURE ARGENTINA IS A SAFE DESTINATION FOR FOREIGN INVESTMENT AND FOREIGN INVESTORS.

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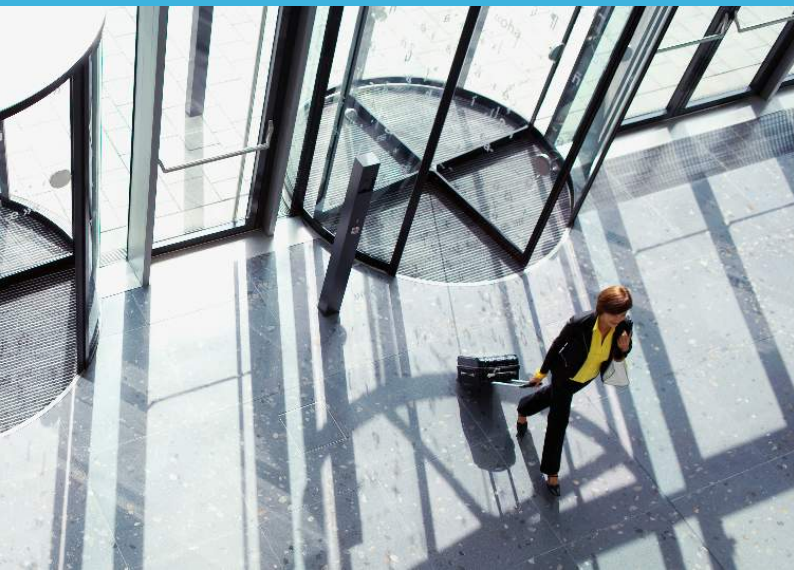


For instance, Argentina has signed almost sixty bilateral investment treaties and created an entire law (Foreign Investment Law No. 21,382) to regulate and protect foreign investment. Argentina became an ICSID member in 1994 and has been an Observer of the Investment Committee of the OECD since 1996. 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 individuals or legal entities established in member countries.

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60 BILATERAL INVESTMENT TREATIES
+
FOREIGN INVESTMENT LAW (NO. 21382)





**FILING PROCEDURES
AND TAX PAYMENTS
CALCULATION OF TAX
BUSINESS TAXATION
OTHER FEDERAL
TAXES
LOCAL AND
PROVINCIAL TAXES
TAX INCENTIVES
DOUBLE TAXATION
CONVENTIONS**



3. THE ARGENTINE TAX SYSTEM

MAIN TAXES



The federal, provincial and municipal governments levy taxes in Argentina. The federal government imposes Income Tax, Value Added Tax, Minimum Presumed Income Tax, Wealth tax, Excise Tax, Tax on Financial Transactions and Customs Duties.

The provincial and municipal jurisdictions levy turnover tax, real estate tax, stamp tax, tax on vehicles and tax on public advertising, among others.

FILING PROCEDURES AND TAX PAYMENTS

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

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

The tax year for individuals is the calendar year. Individuals whose sole earnings are employee's compensation are not required to file an individual income tax return for the year. Instead, their employers are required to withhold income tax monthly, and this tax is considered final.

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

CALCULATION OF TAX

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

BUSINESS TAXATION

Corporate Income Tax

Resident companies

Corporate income is subject to taxation only at a corporate level, as dividends from resident companies are non-computable income for Argentine residents.

• Tax rates

Companies, including subsidiaries of foreign companies, are taxed at a flat rate of 35%. There is a special rate of 41.50% for gaming companies and casinos.

• Territoriality

For resident companies, worldwide income is taxable, including income of foreign branches and subsidiaries. Income of foreign subsidiaries is taxable only to the extent of dividends actually paid, unless the subsidiary is organized in a non-cooperative jurisdiction, in which case, the Argentine company is taxed on the allocable share of the subsidiary's income regardless of whether dividends are paid. Companies formed under Argentine law, as well as commercial, industrial, agricultural, mining, and other types of permanent establishments of foreign entities, are

considered to be residents. They must keep separate books and records for a permanent establishment in Argentina.

• **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 in the scope of income tax and, consequently, subject to a 35% rate, the same as ordinary income.

• **Net operating losses**

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

Important issues

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Thin capitalization rules

Local companies –except for financial institutions- might apply these rules to financial transactions with related parties. Interest other than interest on loans subject to the 35% withholding tax rate will not be deductible when the debt/equity ratio exceeds 2/1. Interest that is not deductible as a result of the application of this rule is deemed as a dividend and treated accordingly.

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Transfer Pricing rules

The Argentine regulations on transfer pricing require that prices in transactions between related companies abroad be consistent with prices that would have been charged in similar transactions performed on an arm's length basis.

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Dividends

Dividends are not taxable. If the amount distributed exceeds taxable income, the excess will be subject to a withholding rate of 35% as a one-off payment (equalization tax).

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Royalties

Royalties are deductible and subject to withholding tax. The withholding rate depends on the nature of the service and compliance with the local legislation on transfers of technology. The rates are 21%, 28% and 31.5%. The deductibility of trademark royalties is limited to 80% of the gross payment made to non-resident entities.

.....

Interest

Interest is a deductible expense and is subject to withholding tax when paid to foreign beneficiaries at the rate of 15.05% or 35%.

.....

Specific losses

Tax losses arising from the sale of stock or other securities in Argentine companies, 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.

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Inflation adjustment

Argentine tax legislation sets forth an adjustment for inflation. However, although these rules have not been repealed, their application has been suspended, and no inflation adjustments for tax purposes have been permitted since April 1, 1992.

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Foreign tax credit

Resident companies may compute foreign income taxes as a credit towards their Argentine tax liability, up to the amount of the increase in their tax liability that results from including foreign-source income in the taxable base. The foreign tax credit cannot be carried back, but may be carried forward for a period of up to five years.

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Nonresident companies

Foreign companies are taxed only on Argentine-source income. 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 Authorities.

- **Portfolio income**

Dividends paid by resident companies (corporations, limited liability companies or branches) are not subject to any withholding tax, provided that the distributed profits were already taxed under the Argentine law. However, if the distribution of accounting profits exceeds the taxable income, such excess will be subject to a 35% withholding as a one-off payment (equalization tax).

Proceeds from the sale of shares of local companies are subject to tax at a 13.5% rate on the gross amount, or at a 15% rate on the net amount (at the taxpayer's option). Government bonds held by non-residents are not taxable unless they are held offshore.

OTHER FEDERAL TAXES

Value-added Tax (VAT)

The value-added tax (VAT) is a general tax on consumption within the Argentine territory. It is levied on the delivery of goods, the granting of loans, or the rendering of services by any person or legal entity conducting an economic activity, and on the import of goods and services. The VAT is reported and paid monthly, based on an online system designed by the tax authorities. Services rendered and loans granted from abroad for which utilization is made in Argentina by Argentine VAT payers are taxable. The payment thereof will be used as a VAT credit.

The general rate is 21%. A higher rate of 27% is applied to electricity, natural gas and water supplied to business activities. The rate of 10.5% is applied to some activities. For example, to the construction industry only with respect to the construction of dwellings (houses). 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 regime that applies a VAT rate of 10.5%. There are special reduced rates of 2.5%, 5% and 10.5% for the sale and import of newspapers, magazines and periodicals. The rate applicable depends on the accumulated income for the past twelve months. Such rates are also applicable to the sale of advertising space in newspapers,

magazines and periodicals.

Taxpayer's credits originated from these transactions can be refunded subject to 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, upon request by the taxpayer.

Minimum Presumed Income Tax

This tax is imposed upon the value of assets located in Argentina and abroad belonging to, among others, companies, foundations and civil associations domiciled in Argentina as well as sole proprietors located in the country, trusts and permanent establishments of non-residents in Argentina. Liabilities cannot be deducted.

The applicable rate is 1%. If the aggregate value of the assets in the country is lower than ARS 200,000 the Minimum Presumed Income tax is not applicable.

The income tax determined for a fiscal year may be considered as a payment on account of this tax to the extent that the income tax liability does not exceed the amount of the minimum presumed income tax. Otherwise, the income tax excess cannot be used as a tax credit. However, if minimum presumed income tax exceeds income tax in a given fiscal year, such excess can be carried forward and used as a tax credit against future income tax to be paid in any of the next ten fiscal years.

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

Wealth tax

The wealth tax is a tax on the net assets of individuals; however, this tax is paid through a substitute taxpayer when the shareholder of a local entity, organized under Law 19,550 and most local trusts, is a foreign entity.

At present, Argentine companies pay this tax as substitutes for their shareholders. Such tax is equivalent to 0.25% of the equity of the local entity annually.

Local companies responsible for paying the tax will be entitled to reimbursement from their foreign shareholders.

Tax on financial transactions

The general tax rate is 0.6‰ (six per thousand) for credits and 0.6‰ (six per thousand) for debits on the amounts credited to or debited from the taxpayer's bank account. If the applicable rate is 6‰, 34% of the tax paid to the collecting agent only on the credits on bank accounts may be used by the account holder as a tax credit against income tax or minimum presumed income tax.



Excise tax

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

LOCAL AND PROVINCIAL TAXES

Turnover tax

Local governments impose a tax on the turnover (revenues) of businesses. Tax rates vary depending on the type of activity and jurisdiction (there are 24 jurisdictions). Farming and cattle raising, mining and other primary activities are taxed at 1%; industrial activities at 1.5%; commerce and services in general at 3% to 4%; and financial and intermediary activities at 5.5%. The rates are applied to the total amount of gross revenues accrued in the calendar year. Exports of goods are tax exempt.

Stamp tax

Stamp tax is levied on the formal execution of public or private instruments. It is payable in the jurisdiction in which the economic transaction is documented but it may also be applicable in the jurisdiction in which it has effects. Documents subject to this tax include, among others, all types of contracts, deeds, invoices confirmed by a debtor, promissory notes and negotiable instruments. In general, the taxable basis is the economic value of the agreement. In general, the applicable rate is 1%, although it can vary depending on the type of deed and on the legislation of the jurisdiction imposing this tax. In the case of real estate sales, among others, the rate can be 2.5%.

Real estate taxes

Local governments assess the value of local real estate and levy a progressive real estate tax on the assessed values. The progressive rates range from 0.2% to 1.5%. Based on those valuations, the municipality applies rates of 0.55% for lighting, sweeping and cleaning services and 0.02% for pavement and sidewalk maintenance.

TAX INCENTIVES

1

Mining promotion

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

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

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

2

Tax credit regime for training institutions

There is a tax credit granted on qualifying gifts or expenses incurred by companies or sole-entrepreneurs destined to support training institutions. For large companies, the tax credit may not exceed 0.8% of the annual payroll (8% for micro, small and medium-sized enterprises). The tax credit may be used to pay any federal tax (e.g. Income tax, VAT).

3

Tax credit on research and development projects

A tax credit is granted on qualifying expenses incurred by corporate or individual entrepreneurs in research and development projects. The tax credit may be offset against the income tax due up to a certain limit established by the decree. The credit may not exceed 50% of the total amount of the project submitted.

4

Investment in capital assets and infrastructure projects

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

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

- (1) the option of obtaining an early refund of the input VAT attributable to either the capital assets or the infrastructure project included in the investment project; or
- (2) the application of an accelerated depreciation of specific assets, subject to certain conditions. The benefits under (1) and (2) are only available jointly in the case of investment projects which are intended exclusively for the export market.

5

Software industry regime

The law provides for tax benefits to certain activities undertaken in the software industry, including the creation, design, development, production and implementation of software systems and operating instructions. The tax benefits provided by this regime are available until December 2019, according to the regulations of Law 26,692.

Under the law, the tax benefits include:

- **Tax stability:** Under the new tax regime, taxpayers (both entities and individuals) will not be subject to rises in all national tax rates for a 10-year period.
- **Bonus tax credit:** taxpayers are allowed an additional tax credit amount equal to 70% of employers' contributions effectively paid to the social security systems. The bonus tax credit can be used against certain national taxes, except for the income tax.
- **60% exclusion applicable to Income tax payable.**

6

Biofuel industry

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

The tax benefits available under this regime are the following:

- An accelerated depreciation/amortization of equipment and investments for income tax purposes;
- An early refund of VAT on purchases of fixed assets and investments in infrastructure;
- An exemption for such assets from the minimum presumed income tax; and
- An exemption for bioethanol and biodiesel from the hydro-infrastructure fee, the tax on fuel liquids and natural gas and the tax on the transfer of gasoil.

7

Modern biotechnology

- The regime grants tax benefits to whoever submits research, development and production projects based on the use of modern biotechnology.
- The tax benefits available under this regime, which shall be in force for 15 years, are the following:
 - An accelerated depreciation for income tax purposes of fixed assets, equipment and parts thereof;
 - An exemption from the minimum presumed income tax for such assets;
 - An early refund of VAT on purchases of such assets. This credit will be used towards the payment of other national taxes; and
 - A credit certificate for 50% of the social security contributions paid. These certificates can be used as a credit towards the payment of national taxes.

8

Tierra del Fuego

- The industrial promotion regime governed by Law 19,640 states that activities and operations carried out in the National Territory of Tierra del Fuego, or assets existing in that Territory, are exempt from all national taxes (in the case of some specific taxes, reduced rates may apply).
- Regarding customs duties, the benefits include the exemption from or reduction in taxes levied on imports and exports of movable property.
- It is important to mention that in order to claim the tax exemptions, the activities need to be performed in Tierra del Fuego's territory.

9

Renewable Energies Regime

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

10

MiPyME Companies Regime

- Law 27,264 provides MiPyME (Micro, Small and Medium-sized) Companies with several tax benefits. Among them:
 - Minimum presumed income tax exemption from fiscal year 2017 onwards.
 - Micro and Small Companies can use 100% of the effectively paid tax on credits and debits as tax credit against income tax. Medium Companies related to the manufacturing industry can use 50% of such payments as tax credit.
 - MiPyME Companies can pay the VAT balance on the due date in the second month immediately following the original VAT due date.
 - Fiscal stability from 1 July 2016 until 31 December 2018.
 - Further tax benefits are provided for those MiPyME Companies making productive investments and for those developing the manufacturing industry.

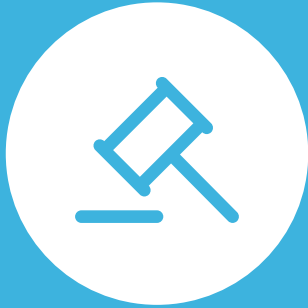
- Income tax:
 - Accelerated depreciation of personal property and infrastructure works
 - Tax losses can be carried forward up to 10 years
- Tax certificate equivalent to 20% of the national components value incorporated to the project (excluding infrastructure works). To apply for it, at least 60% of the investment should be national. The certificate can be assigned only once.
- Import duties exemption (both for the project and the manufacturer of capital assets related to renewable energy projects). Up to December 31, 2017.
- Tax increases: tax increases may be passed through to the price.

DOUBLE TAXATION CONVENTIONS

Argentina has valid double taxation conventions signed with the following countries: Australia, United Kingdom, Chile, Denmark, Germany, Belgium, France, Italy, Sweden, Canada, Bolivia, Brazil, Finland, Norway, Spain, Switzerland, the Netherlands and Russia. Furthermore, the double taxation convention recently signed with Mexico will enter in force as from 2018. In addition, a number of treaties concerning income tax exemption for international transport are in force.

> Argentina has valid double taxation conventions signed with the following countries: Australia, United Kingdom, Chile, Denmark, Germany, Belgium, France, Italy, Sweden, Canada, Bolivia, Brazil, Finland, Norway, Spain, Switzerland, the Netherlands and Russia.





SALARIES AND WAGES
LABOR UNION
ORGANIZATIONS
PAYROLL TAXES
REGISTERED
EMPLOYMENT
SOCIAL SECURITY
AGREEMENTS
LABOR CONTRACTS
SPECIAL
REQUIREMENTS FOR
FOREIGN NATIONALS
+

4. LABOR LEGISLATION

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

The Employment Contract Law does not apply to household and government employees, whose work conditions are covered by separate statutes.

WORKFORCE

Argentina has a skilled labor force.

Currently, Argentina has an unemployment rate of 9.2% (first quarter of 2017)³.

Methods of recruiting employees vary depending on the qualifications required, from hiring directly at the employer's facilities to using specialized private employment agencies. Agencies are used especially in recruiting managerial and technical positions. Many are located in the city of Buenos Aires and its surroundings, where the labor force is highly concentrated.

Employment contracts are not required in writing and, in practice, they are not usually used.

EXECUTIVE COMPENSATION

Executives receive various fringe benefits in addition to salaries. Foreign companies usually provide such benefits in accordance with the parent company's policies. The most common benefits are employer-provided automobiles and bonuses. A car policy is suggested as the company-provided car should be considered part of the salary package unless it is used as a work tool, and is needed for the work to be performed.

> Currently, Argentina has an unemployment rate of 9.2% (first quarter of 2017) .

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

If the employer agrees to pay all income tax and social security contributions on salaries, executive compensation may constitute a significant cost to the employer. For instance, a monthly salary equivalent to ARS 180,000 may result in a total executive compensation cost to the employer of approximately ARS 330,000 (monthly), if the employer undertakes to pay income tax and social security contributions. This kind of agreement is common for expatriates, but not for local employees.

SALARIES AND WAGES

Salaries and wages for office and industrial workers are not the same in all the regions of the country. Minimum salaries for employees included in the collective bargaining agreement are generally established by the collective bargaining agreement itself, but supply and demand usually have great influence on determining the salaries of the best qualified workers.

Further, during the past few years, labor unions have bargained new salary ranges.

ADVANCE NOTICE

Employer shall give notice of the termination of the labor relationship to the employee no later than 15 days, in the case the employee is working under probationary period; one month, when the employee has worked for the employer for a period that does not exceed 5 years; and two months for employees with more years of service.

The employee shall give notice of his intention to terminate the employment contract 15 days in advance.

During the notice period, the employee is entitled to take two hours off each day to search for new employment. He may also accumulate these hours in one or more full working days. Should employer or employee fail to give proper notice of termination, the party at fault shall pay the other party compensation in lieu of notice equal to the salary that the employee would receive during that period.

³ National Statistics and Censuses Institute (INDEC).

Notice must be served in writing and is effective as from the day following service of notice.

If termination of the employment contract took place without advance notice and the day termination occurred is other than the last day of the month, compensation in lieu of notice owed to the employee shall be made up of an amount equal to salary for the remaining days up to the end of the month.

SEVERANCE PAY – COMPENSATION FOR YEARS OF SERVICE

If an employee or worker is dismissed, without having committed an act of gross misconduct or a criminal offense, severance pay is due, equivalent to one month's salary for each year of service or period higher than three months. For such purposes, the calculation basis is the highest monthly regular and habitual compensation received during the last year or during the length of service, if this period were shorter.

In conformity with the law in force, such basis shall not exceed the equivalent to three times the average monthly salary established by the respective collective bargaining agreement.

The minimum severance payment is equivalent to one month's salary currently received by the employee.

With regard to the already mentioned limit –three times the average monthly salary established by the respective collective bargaining agreement–, it should be noted that the Supreme Court of Justice (in re Vizzoti, Carlos Alberto vs. AMSA S.A.) stated that the application of the severance cap described above (i.e. three times the average monthly salary established by the applicable collective bargaining agreement) should not result in a reduction of 33% or more of the highest monthly compensation received by the employee during his last year of service. Otherwise, the referred cap will be considered unconstitutional and the compensation will be calculated on the basis of an amount equivalent to 67% of the employee's highest salary.

Compensation amounts may increase under special circumstances (e.g. dismissal of sick or injured employees, pregnant women, women with a newborn child, recently married employees, etc.).

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

LABOR UNION ORGANIZATIONS

Most office and industrial workers are unionized. However, the political influence of unions decreased during the 1990s but has increased in recent years. This means that employees are covered by a Collective Bargaining Agreement. Employees covered by the CBA could also be affiliates of the union.

PAYROLL TAXES

The main social security contributions are listed below. Other minor payments apply under certain circumstances, mainly according to collective bargaining agreements and provincial taxes.

In the case of expatriate technicians not residing in the country for more than two years, exemption from this contribution may be requested if the expatriate enters the country with a temporary visa not exceeding two years.



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

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

a) Pension Fund

Employees of most industrial and commercial enterprises make contributions to the pension fund equivalent to 14% of all their earnings in cash or in kind (such as schooling or housing) received as salaries, wages, commissions or profit sharing up to the limit established (since September 1, 2017: ARS 81,918.55)⁴. Employers contribute 11.67% of their employees' compensation without any limit.

Service and commercial companies invoicing more than ARS 48,000,000 a year⁵ contribute 14.33% of their employees' salaries without any limit.

b) Family Allowances

Employers contribute 4.44% (5.56% in the case of commercial or service activities invoicing more than ARS 48,000,000⁶ a year) of all compensation to a family allowance fund.

In this respect, it should be noted that, as from November 2005, any individual or entity from the private sector registered as an employer shall be directly included in the SUAF⁷.

By virtue thereof, family allowances shall be paid directly by the National Administration of Social Security (in Spanish, ANSES). Allowances consist of gradual amounts depending on the employees' salaries, usually very small, paid for each child, for marriage and for the birth or adoption of a child.

However, there is no family allowance for employees whose salaries exceed ARS 36,804 or ARS 73,608, depending on their family composition, since March 2017 (except for maternity and disabled children).

Allowances are adjusted periodically.

c) Unemployment Fund

Employers are required to contribute 0.89% of all compensation to an unemployment fund. For service and commercial companies invoicing more than ARS 48,000,000⁸ a year, the contribution amounts to 1.11% of their employees' remuneration.

d) Medical Care Contributions

Employees contribute 3% of their earnings or a monthly maximum of ARS 81,918.55 (since September 1, 2017)⁹, for medical care. The amounts paid are allocated to several organizations that provide healthcare assistance. The employer also contributes 6% of employee earnings without limit since November 2008. The government, through a public fund named ANSSaI, takes a percentage from medical care contributions and withholdings. This percentage varies from 10% to 20%, depending on the healthcare assistance category and the monthly salary.

e) Workers Compensation Insurance

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

Workers Compensation Law prescribes that a mandatory insurance policy be taken from an authorized Workers Compensation Insurance Company. The policy shall cover salaries, the cost of medical care, professional rehabilitation, prostheses and orthopedic elements, burial expenses and indemnities for partial or total disability and death as a consequence of occupational accidents and diseases. Companies can directly cover (without taking out an insurance policy) the costs of these services and/or indemnities, provided that they periodically give evidence of their financial stability. It should be highlighted that, in general, companies take out insurance through insurance companies.

In principle, pursuant to the express provisions of the Workers Compensation Law, by taking out an insurance policy, employers are exempt from any civil liability for their employees and their heirs.

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

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

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

⁴ This cap is updated every six months (March and September).

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

⁶ Please refer to Note 9.

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

⁸ Please refer to Note 9.

⁹ This cap is updated every six months (March and September).



Summary of Employer and Employee Contributions (until 31.12.2018)

The following table summarizes the main contributions.

	Employer (I) %	Employer (II) %	Employee %
Pension fund	10.47 (1)	12.53 (1)	11.00 (3)
Pensioners' healthcare fund	1.54 (1)	1.60 (1)	3.0 (3)
Family allowance fund	4.57 (1)	5.48 (1)	-
Unemployment fund	0.92 (1)	1.09 (1)	-
Private health insurance	6.00 (2)	6.00 (2)	3.00 (3)
	23.50	26.70	17.00

Ref.:

(I). Employers of all activities, except for commercial and service activities invoicing more than ARS 48,000,000 a year according to the restrictive nature of the AFIP's criterion. Based on case law, the amount indicated would be higher.
 (II) Commercial and service activities invoicing more than ARS 48,000,000 a year according to the restrictive nature of the AFIP's criterion. Based on case law, the amount indicated would be higher.

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

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

(3) These percentages apply to the total remuneration or to the monthly limit of ARS 81,918.55 –since September 1, 2017– (taxable monthly salary), whichever is lower. This cap is updated every six months (March and September).

From such employer contribution, a percentage that varies depending on the geographical area where the employees are located can be computed as a VAT credit. For example, in the so called "Greater Buenos Aires" (which includes the city of Buenos Aires and some surrounding cities), the percentage computable as a VAT credit is 0% on the same taxable basis used for contributions' calculation, whereas in Ushuaia it is 8.65% and 1.90% in Greater Córdoba.

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

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

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

At the same time, a gradual unification of the applicable rate of the employer's contributions to the social security system has been implemented, eliminating the current differences in contributions depending on a firm's size and its main activity.

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

This change will be gradually implemented according to the following table

Employer's contributions	Until 31/12/2018	Until 31/12/2019	Until 31/12/2020	Until 31/12/2021	As from 1/1/2022
Commercial and service activities invoicing more than 48 million pesos	20.70%	20.40%	20.10%	18.80%	19.50%
All activities, except for commercial and service invoicing more than 48 million pesos	17.50%	18%	18.50%	19%	19.50%

SPECIAL REGIMES FOR THE PROMOTION OF REGISTERED EMPLOYMENT

Law No. 26,940 establishes that companies hiring up to 80 employees, thus increasing the existing head count, will benefit from a reduction in social security contributions per employee incorporated to the payroll for a period of 24 months.

Special regimes are explained below:

a) Permanent Regime of Social Security Contributions for Micro Employers

This benefit includes all individuals, de facto corporations and limited liability companies, which hire up to 5 employees and have an annual invoicing which does not exceed a certain amount that will be established by the appropriate regulation. Such payroll might be raised up to 7 workers, provided the employer increases the existing payroll as of the date of its inclusion in this regime.

The benefit consists of a partial reduction in contributions to the social security system equivalent to 50% of the applicable rates in the case of hiring full-time employees for an undetermined period. In the case of part-time employees, the benefit consists of a partial reduction in contributions to the social security system equivalent to 25% of the applicable rates. These reductions in social security contributions will expire on January 1, 2022 (according to Law 27,430, Section 169).

b) Promotion Regime for the Recruitment of Registered Employment

In the case of employers that hire up to 15 workers, for the new employees representing an increase in the company's payroll, they will be entitled to a reduction in contributions to the social security system equivalent to 100% of the applicable rates during the first 12 months of the labor relationship, whereas during the second period of 12 months, the reduction will be 75% of such contributions.

For employers with a head count of between 16 and 80 employees, the benefit will consist in a reduction of 50% in the above mentioned contributions during the first 24 months of the labor relationship.

This reduction in social security contributions will expire after 24 months (according to Law 27,430, Section 169).

The regulation sets forth the cases to which the reduction in social security contributions is not applicable; for example, the case where employees are hired within 12 months following termination without cause of an employee under the general social security regime.

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

The term to benefit from this regime has been set to 12 months since effective date (i.e. from August 2014 to July 2015). However, it was extended from August 2015 to July 2016 by means of Decree No. 1801/2015, and from August 2016 to July 2017 by means of Decree No. 946/2016.

It should be noted that only the Argentine Executive Branch is empowered to extend this regime for subsequent periods.

SELF-EMPLOYED INDIVIDUALS

Workers who do not have an employer are required to make contributions to a specific pension fund. The assessment of the amount payable will depend on the activity and category established according to the laws in force. This category is established based on the worker's activity and a taxable reference income.

In this respect, it should be noted that in the case of directors of corporations or legal representatives of foreign companies, the contribution to National System of Self-Employed Individuals (in Spanish, *Régimen Nacional de Trabajadores Autónomos*) ranges from ARS 2,688,60 to ARS 5,914.93 (since September 1, 2017)¹⁰, depending on the annual gross revenues. Both directors of corporations and legal representatives shall contribute to the Social Security System as self-employed individuals, even if carrying out activities under a labor relationship. Contributions to the Social Security System as employees are not mandatory for them.

SCOPE OF BENEFITS

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

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

Some measures have been taken in order to attenuate the effect of pension payments at retirement. Individuals older than 65 years are entitled to a guaranteed monthly payment of ARS 7,246.64¹¹.

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

SOCIAL SECURITY AGREEMENTS

Argentina has entered into reciprocal social security agreements with Mercosur countries (Brazil, Paraguay, Venezuela and Uruguay), the Ibero-American Convention on Social Security (Bolivia, Brazil, Chile, Ecuador, El Salvador, Spain, Paraguay, Portugal and Uruguay) as well as agreements with Chile, Slovenia, France, Greece, Italy, Peru, Colombia, Portugal and Spain.

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

OTHER EMPLOYEE BENEFITS

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

ANNUAL LEGAL BONUS

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

Each installment is equal to one-half of the highest monthly salary paid to the employee during the previous semi-annual period.

PAID VACATION

Providing an annual paid vacation is compulsory. The vacation period ranges from 14 to 35 consecutive days, depending on the number of years of service. To be entitled to a vacation period, an employee must have worked at least half of the working days in the calendar year. Employees hired during the second half of the calendar year are entitled to one day of vacation for every 20 days of effective work.

Vacations shall be taken and cannot be exchanged for cash payments, for which employees may be penalized.

¹⁰ This amount is updated every six months (March and September).

¹¹ This amount is updated every six months (March and September).

ILLNESS

The payment of remuneration shall be maintained in case of illness or accident (not labor related) for 3-6 months if the employee has been providing services to the company for 5 years or more. These periods will double if the employee has dependants.

LIFE INSURANCE

It is mandatory for employers to take out insurance coverage of ARS 44,330 per employee (as from March 2017).

UNEMPLOYMENT

Industrial and office workers are included in a government system of compensation for unemployment. Under certain conditions, they are entitled to receive monthly payments for a period from 2 to 12 months on the basis of variable percentages of the highest monthly salary earned in the 6-month period prior to unemployment. Such payments derive from a fund formed with a portion of social security contributions. Unemployed individuals are also entitled to receive medical care for three months.

OVERTIME

A 48-hour working week is the norm, with a limit of 9 hours per day (6 hours per day for hazardous occupations). Office working hours are usually less. Twelve hours must elapse between consecutive working days. Night work is limited to a seven-hour shift.

Overtime work is permitted with certain restrictions. Overtime on weekdays and Saturday mornings is paid at time-and-a-half. Double time is paid for Saturday afternoons, Sundays and holidays. Overtime is typically limited to personnel subject to collective bargaining agreements. It is mandatory for salaried workers. Decree 484/2000 established a limit of 200 hours overtime per year and 30 hours overtime per month.

MINIMUM WAGE

A single general minimum wage is established for all industrial and office workers. It amounts to ARS 9.500 as from January 2018 for monthly salaries, and ARS 47.50 for hourly salaries. From July 2018, it will be increased to ARS 10.000 for monthly salaries and ARS 50.00 for hourly salaries.

Actual salaries, however, are higher. Collective bargaining agreements establish more realistic minimum salary tables, which are generally used.

LABOR CONTRACTS

Labor law allows for unwritten contracts for an indefinite term (traditional contracts).

In accordance with Argentine laws, employment contracts are for unspecified terms to promote the employment continuity principle.

This principle ceases to be applicable if a) the term of the contract has been set in writing, and b) the activity justifies the exception.

Employment contracts for unspecified terms are understood to have been entered into on a trial basis for the first three months. During the probationary period either party may terminate the relationship by notifying the other party without need to specify the cause. This termination will not give rise to the right to indemnity.

Other types of contracts are part-time contracts (working hours are less than two thirds of the normal working day) and seasonal contracts (when the relationship between the parties generated by the normal course of business or exploitation is limited to certain months of the year, subject to repetition in each business cycle as a result of the nature of the activity).

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



FIXED TERM CONTRACTS



TEMPORARY EMPLOYMENT CONTRACT



OTHER

a) Fixed Term Contracts

These contracts require that the term be stated explicitly and in writing. In addition, there should be justified reasons to choose this contracting method based on the type of business or activity.

The contract is in effect until the end of the agreed term, which must not exceed five years.

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

The parties must give notice of termination; otherwise, the contract will become an unspecified term contract.

If the contract is fulfilled and notice is given, and the duration of the contract is less than one year, severance pay will not be required. However, if the contract term exceeds one year, the worker is entitled to claim severance pay equivalent to half the amount established for ordinary termination by the employer without just cause set forth in the general regime.

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

b) Temporary Employment Contract

Employment Contract Law establishes that this method is adopted in connection with extraordinary services or extraordinary and temporary needs of a company, without a specified termination date.

If the purpose of the contract is to supply extraordinary market demand, the duration of the cause giving rise to the contract cannot exceed six months a year and up to one year every three years. The cause giving rise to the contract must be accurately stated.

If the contract is terminated for the same reason for which it was entered into (completion of works or task assigned or cessation of the cause giving rise to the contract), no indemnity will be paid. Otherwise, the regulations established by the general regime will be applicable.

c) Other

The law currently in force provides for the possibility of recruiting personnel through internship systems for a definite period. The main object of this system is the training of the intern. The amount paid as internship pay is not subject to social security contributions.

SPECIAL REQUIREMENTS FOR FOREIGN NATIONALS

In principle, there are no restrictions or quotas on employment of foreign nationals.

In general, no particular employee functions are required to be performed solely by Argentines. However, the reasons for hiring an expatriate in lieu of a local employee must be given by the local employer in a presentation to the Immigration Authority at the time the expatriate files an application for a temporary visa.

Compliance with Immigration Law is required. Expatriates may qualify for an exemption from pension fund contributions or for the benefits of a social security agreement.

They can also receive various fringe benefits in addition to salaries, which are usually collected in their home country. Foreign companies usually provide such benefits in accordance with the parent company's policies. Employers generally provide expatriates with employer-provided automobiles, housing and bonuses.

The social security, labor and tax treatment to be given to the abovementioned benefits shall be analyzed in each case taking into consideration the current laws in force since, under certain circumstances, the whole package of benefits is taxable in our country.

> In principle, there are no restrictions or quotas on employment of foreign nationals.

PUBLIC REGISTRY OF EMPLOYERS WITH LABOR SANCTIONS (IN SPANISH, REPSAL) – LAW 26,940

The REPSAL was created by the Ministry of Labor, Employment and Social Security (in Spanish, MTEySS). Such Registry will include the final sanctions imposed by the MTEySS, the AFIP, the provincial authorities as well as the authorities of the city of Buenos Aires, the National Registry of Agribusiness Workers (in Spanish, RENATEA), the Workers Compensation Insurance Regulator (in Spanish, SRT) and the National Labor Courts on employers who fail to register or report employees in compliance with all the formal requirements set forth by the applicable laws. The REPSAL will be a public, fee-free registry that will be regularly updated by the MTEySS.

Non-complying employers will remain registered in such registry for a maximum period of 3 years; and they will be removed from it once they have paid the related fine, remedied the situation for which they were sanctioned, and once the applicable term has lapsed, which will depend on when the fine is paid and on when the undue registration or report of employees is remedied (with a minimum 60-day term).

Consequences for employers registered in the REPSAL:

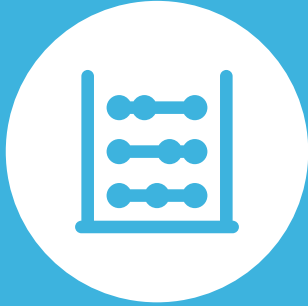
- **They are not eligible for national government programs, aid or stimulus plans, benefits or subsidies.**
- **They are not eligible for credit lines offered by banking institutions.**
- **They are not eligible for the benefits set forth by this law.**

In case of recidivism within a 3-year term counted as from the date on which the first sanction imposed becomes final, employers who are registered in the Simplified Regime for Small Taxpayers will be excluded from such regime by operation of law.

In addition, taxpayers registered in the General Tax Regime may not deduct personnel-related expenses from income tax as long as they remain registered in the REPSAL for recidivism.

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





**FINANCIAL
REPORTING
PROFESSIONAL
ACCOUNTING
STANDARDS
STATUTORY
ACCOUNTING
STANDARDS
AUDIT
STANDARDS**

5. ACCOUNTING AND AUDITING STANDARDS

FINANCIAL REPORTING

Based on General Law of Business Associations and IGJ (*Inspección General de Justicia*, the Argentine Regulatory Agency of Business Associations) regulations, Stock corporations and limited liability companies with capital equal to or exceeding ARS 10M are required to prepare annual financial statements, including balance sheet, income and cash flow statements.

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

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

The two main requirements are as follows:

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

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

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

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

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

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

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

- According to Section 66 of the General Business Associations Law, managers of stock corporations and limited liability companies are required to draft a shareholder letter on the date of issuance of the financial statements to provide the appropriate context and explain company results and projections.
- Under IGJ regulations, all stock corporations and limited liability companies with equity equal to or exceeding ARS 10 M “must include certain information in the shareholders letter apart from the information set forth in General Business Associations Law regarding the company’s organization structure, its activities and purposes and prospects for the following fiscal year.”
- Under certain conditions, stock corporations not included in Section 299 of General Business Associations Law (see above) and limited liability companies with a capital equal to or exceeding ARS 10 M the regular meeting may be exempt from preparing said Shareholder Letters, provided no third-parties have expressed interest in such information.
- Companies publicly listing their securities should file quarterly financial statements and a Board of Directors’ informative overview, which are published on the CNV’s website. This information should be presented within 42 days following period end. In addition, the company’s subsidiaries and affiliates must also present their quarterly financial statements within the same timeframe.
- Financial institutions, insurance companies, pension fund administrators and workers’ compensation insurance companies are required to present quarterly financial statements to their respective oversight agencies. Such periods start a certain number of days after the beginning of the calendar year:

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

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

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

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

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

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

PROFESSIONAL ACCOUNTING STANDARDS

General aspects

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

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

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

This plan included:

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

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



IFRS adoption by TR No 26, as amended

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

1. Scope of mandatory application

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

2. Optional application of IFRS

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

Argentine professional accounting standards different from TR 26

1. Unit of measurement

- Nominal currency is to be used as measurement. Some exceptions apply, for instance, when price indexes show an accumulated variation over a three-year term equal to or above 100%. Other qualitative reasons can be used as valid reasons, with some limitations. These conditions are substantially similar to those contained in IAS 29.
- If the conditions for the restatement of financial statements in foreign currency have been met, some rules should be followed:
 - the adjustment should be made during the fiscal year in which that event takes place;
 - the adjustments in the currency's purchasing power should be applied as from 2003 (when inflation adjustment was interrupted in Argentina as per accounting standards) or as from the setting-up of the company (if the company was created after 2003).
- The accumulated variation in the price indexes mentioned in previous sections should be determined on the basis of the domestic wholesale price index published by the INDEC.

Since the new Argentine president took office on December 10, 2015, he undertook a process to reorganize the INDEC (the national statistics and censuses institute). As of June 30, 2017 the domestic wholesale price index shows a three-year accumulated inflation close to 75%. However, a downward trend is expected due to the anti-inflation measures adopted by the current administration.

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

> Since the new Argentine president took office on December 10, 2015, he undertook a process to reorganize the INDEC (the national statistics and censuses institute).

2. Measuring methods

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

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

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

- i) the provisions established 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 case law.

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

STATUTORY ACCOUNTING STANDARDS

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

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

Some of these government entities automatically incorporate the professional accounting standards approved by the FACPCE and adopted by the Professional Council in Economic Sciences of the related jurisdiction as statutory accounting standards. Other government entities issue specific resolutions whereby they adopt the professional accounting standards in part or in full. Finally, there are government entities that issue their own statutory accounting standards, which may contain significant differences with professional accounting standards, such as the BCRA and the SSN.

IFRS application depends on the existence of accounting and statutory professional accounting standards that may be different from one another.

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

In consequence, some institutions have taken the following measures:

- i) the BCRA has prepared a roadmap for converging with IFRS for the fiscal year beginning January 1, 2018;
- ii) the SSN has not yet implemented a process for applying IFRS and;
- iii) the IGJ, which controls stock corporations located in Buenos Aires City, establishes that affiliates of listed companies required to apply IFRS may file their financial statements with IGJ under IFRS.

The initial practical goal of these measures was to avoid the task of converting financial statements from one set of accounting standards to IFRS.

However, IGJ's resolution creates the expectation that the agency may extend at some point the option of applying IFRS to the rest of the companies under its control.

AUDIT STANDARDS

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

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

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

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

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

In January 2015, IAASB amended its standards on the form and contents of the auditor's report and issued a new standard (ISA 701) requiring the auditor to communicate in its auditor's report to general purpose financial statements of listed companies the key audit matters identified and the treatment awarded to them. This communication requirement set forth by IAASB will be applicable to fiscal periods ended on or after December 15, 2016. After assessing the issue, the FACP has determined that the implementation of these changes is transcendent in nature and that the expertise of auditors, Auditing Committees and Boards of Directors of listed companies is not homogeneous and, therefore, additional time is needed to analyze the issue and allow for further training and discussion for a better understanding of the changes by all stakeholders. To such effect, through "Circular Letter No. 2 on the adoption of decisions issued by IAASB and IFAC's IESBA", the FACPCE decided that the application of the aforementioned amendments will be mandatory as from the audit on financial statements for years ended on or after December 15, 2018.

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About the Argentine Investment and Trade Promotion Agency

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

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

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

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

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