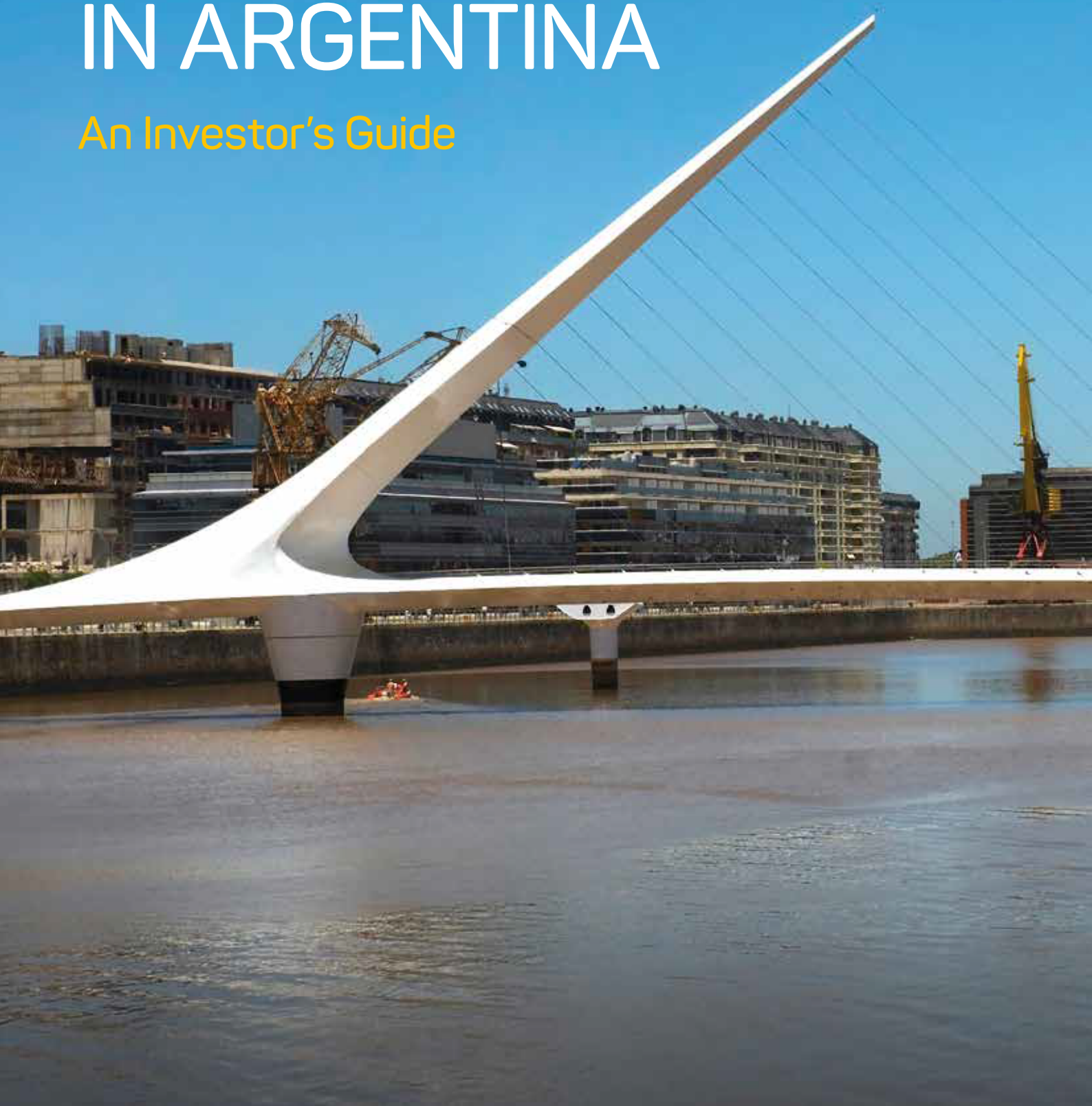
Agencia Argentina
de Inversiones
y Comercio Internacional

DOING BUSINESS IN ARGENTINA

An Investor's Guide



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This document has been jointly prepared with the assistance of:

WELCOME TO ARGENTINA!

When President Mauricio Macri was elected last year, he outlined a clear plan to integrate Argentina to the world. In his first six months, the President took several measures not only to normalize the economy, but also to rebuild trust and confidence. Some of these measures include: lifting currency restrictions, reaching an agreement with holdout creditors, lifting restrictions to capital inflow/outflow, returning to the international capital markets, removing or reducing export duties, gradually removing import restrictions, correcting exchange rates and subsidies, and reestablishing relations with countries that have traditionally been Argentina's business and political partners.

The message is clear: Argentina is determined to normalize its economy and regain political leadership, not only in the region but also amongst emerging markets.

Historically, Argentina´s investment case has rested on its abundant natural resources, talented and educated labor force, strong infrastructure, large middle class and a gateway position to the region. This time around, with the Argentine government's main objective of Zero Poverty, it is vital that we go one step further. We must attract genuine investment, which in turn creates more and better quality jobs. But we also need to attract the world's best know-how across all sectors, to ensure continuous and sustainable growth. We kindly invite you to participate in this process and become a protagonist of this new era for Argentina.

At the Argentina Investment and Trade Promotion Agency we want to help and enable your company to take full advantage of the many opportunities Argentina has to offer, and to become your strategic partner throughout your investment process in Argentina.

Thank you for joining us and welcome to Argentina!

Juan M. Procaccini
Executive President
Argentina Investment and Trade Promotion Agency

1. OVERVIEW

POLITICS & GOVERNMENT

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

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

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

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

DEMOGRAPHICS

Population:
40,117,096
inhabitants

Population density:
10.7 persons per km²
The Pampa region accounts for 63% of the population, with only 20% of the surface area. 91% of the population lives in urban areas.

Population growth rate:
1.01% (2015)

Age distribution:
25.5% under 15
64.3% between ages 15-65
10.2% over 65

Human Development Index (HDI):
0.84, 1st in Latin America and 40th worldwide

Official Language:
Spanish

Literacy Rate[1]:
98%

University completion:
7%

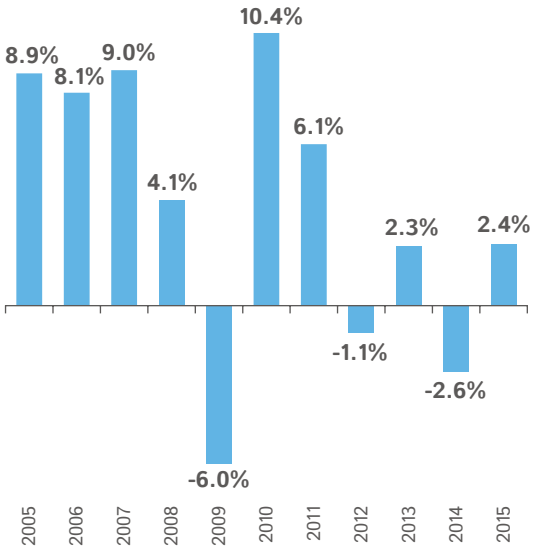
English Proficiency[2]:
High

[1] Age 10 and over can read and write.

[2] Ranks 15th in the world according to the Education First English Proficiency Index.

GDP AND ECONOMIC ACTIVITY

Real GDP growth



Source: own elaboration based on INDEC.

Argentina is Latin-America's 3rd largest economy in terms of Purchasing Power Parity. In 2015 its GDP reached USD 586 billion[3] with GDP per capita at USD 13500 (USD 22,500 in PPP terms)[4]. In the last 10 years (2005-2015) Argentina´s compound annual growth rate was 3.2%.

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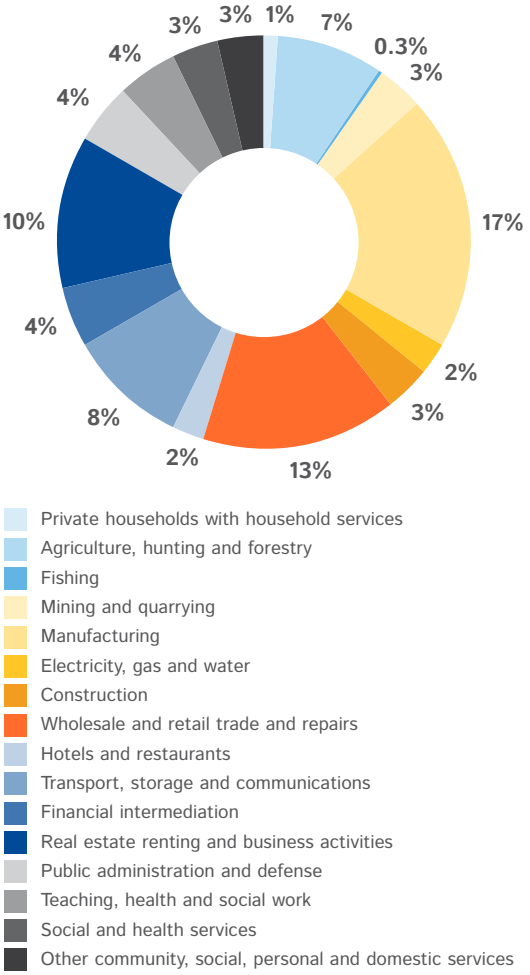
Composition of GDP by economic activity, 2015



Source: own elaboration based on INDEC.

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

[3] Source: IMF (according to the World Bank, GDP in 2014 was USD 548 Billion).

[4] Source: IMF.

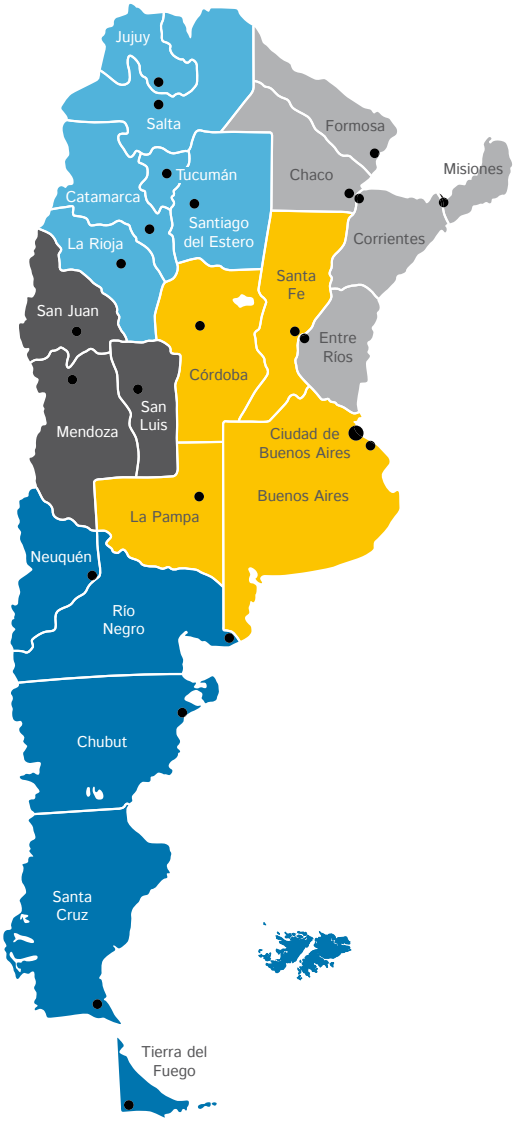
Argentina is a leading producer of foodstuffs: the third worldwide producer of soybeans, soymeal, soybean oil and corn, the fourth largest producer of sunflower (seed, meal and oil) and sorghum, the seventh largest producer of barley, and the twelfth producer of wheat.[5]

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

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

With respect to services, 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 largest job creator.

The provinces are usually grouped into regions:



Argentina has valuable natural resources throughout its territory. The most important sectors by region are as follows:

Cuyo
- Agricultural products: grapes (wine production), olives
- Mining: gold, silver, copper

Pampas
- Agricultural products: soy, wheat, maize, sunflower, peanut
- Cattle raising

Patagonia
- Fish
- Fruits
- Petroleum / shale oil / shale gas

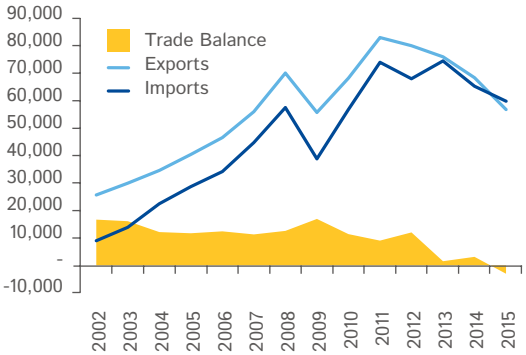
Northwest
- Agricultural products: soy, maize, sugar cane
- Mining: gold, silver, lithium, potassium
- Gas

Northeast
- Agricultural products: Tea, yerba mate, rice, soy, corn, citrus products and derivatives
- Forestry

[5] Figures correspond to the 2015/2016 agricultural season.

FOREIGN TRADE

Foreign trade, US$ million

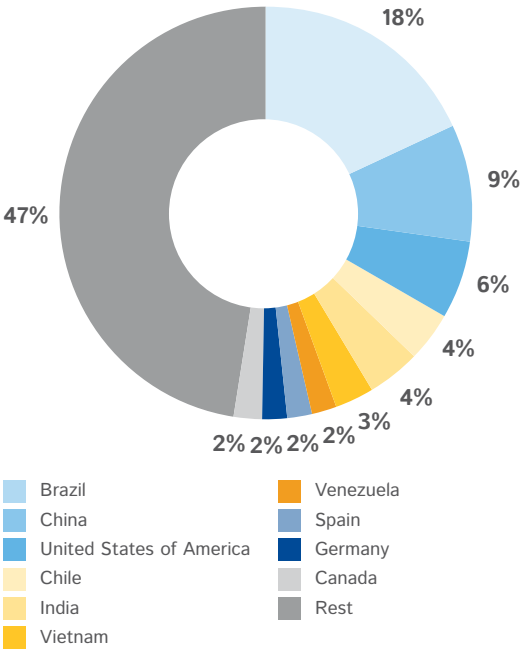


Source: own elaboration based on INDEC.

Except for 2015, the trade balance has been positive since 2002. In these 14 years, exports have shown a 212% increase in nominal dollar terms. During the same period, imports have increased by 650%.

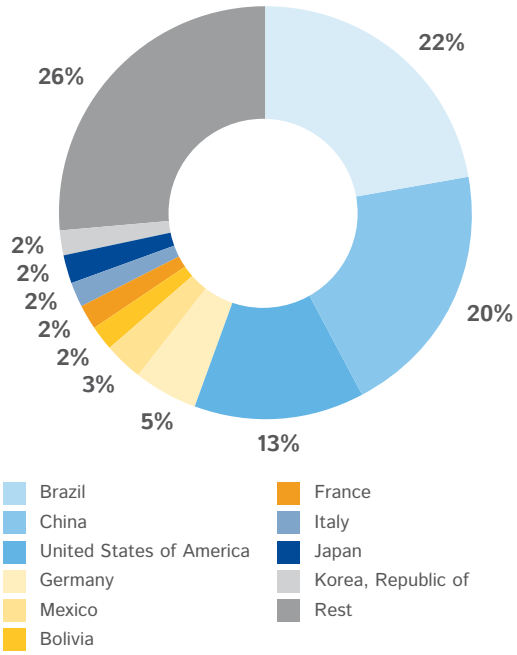
Foreign trade by partner:

2015 Exports



Source: own elaboration based on INDEC.

2015 Imports



Source: own elaboration based on INDEC.

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

- 71% of exports to Brazil are industrial manufacturing products, of which 60% corresponds to vehicles.
- Over 65% of exports to China are soybean products.
- 11% of exports to the US are biodiesel and crude petroleum oils.

Imports:

- 40% of imports from Brazil are vehicles.
- 34% of imports from China are electrical and electronic equipment.
- 18% of imports form the US are machinery and 16% are mineral fuels, oils and distillation products.

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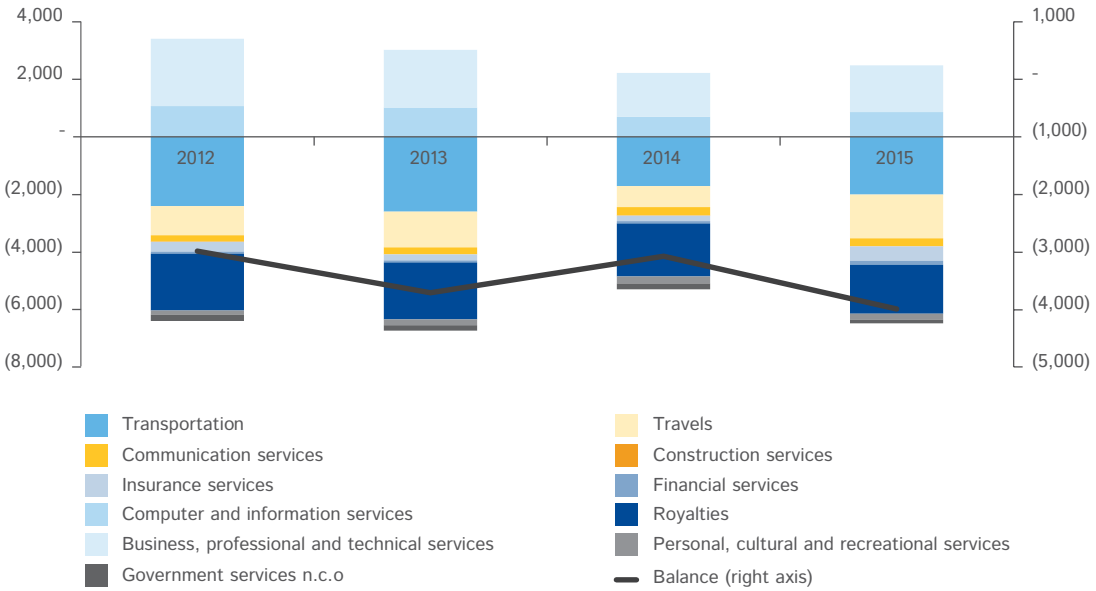
Service Balance



Source: own elaboration based on INDEC.

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

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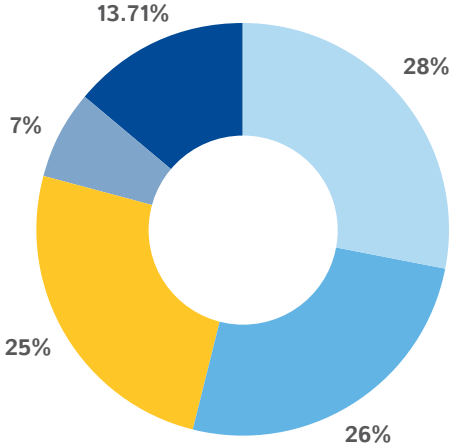
PUBLIC SECTOR

Over the last ten years (2005-2015) government income has been stable at around 21% of GDP. Taxes account for half of this, social security for a quarter and capital resources, property income, current transfers and sales of goods and services for the remaining quarter.

The share of national public expenditure in GDP increased from 18% in 2005 to 24% in 2015. More than 75% of expenditures are concentrated in three areas: salaries (15%), social security accounts (37%) and transfers to the private sector (24%).

Earlier this year, after more than 14 years, Argentina exited from default on its debt. This has allowed the country to reduce country risk and return to international capital markets. The main performing government bonds are Discount 2033 (DICA), BONAR 2017 (AA17), BONAR 2019 (AMX9), BONAR 2024 (AA24), and Discount 2033 (DICY).

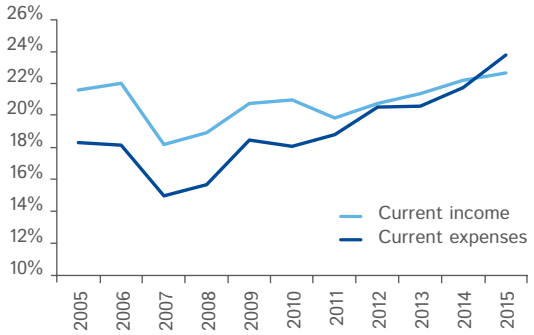
Taxes share % in 2015



VAT
Social Security Revenues
Income Tax
Export & Import Taxes
Others

Source: own elaboration based on MECON.

Government income and expenses to GDP ratio



Source: own elaboration based on MECON.

Real multilateral exchange rate, base dec99=1

Source: own elaboration based on BCRA.

MONETARY POLICY & CAPITAL FLOWS

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

Its purpose is to promote monetary stability, financial stability, employment, and economic development with social equity (within the framework of the policies set by the National Government). The current exchange rate policy is a floating regime, and the BCRA is starting to implement a policy of inflation targeting.

There are no restrictions on foreign investment, expect in some strategic sectors, such as telecommunications, defense, and oil and gas. Most importantly, it is the new administration's policy that profits may be freely transferred, and the BCRA has eliminated previous restrictions but for those stemming from money laundering legislation (based on the FATF's recommendations).

The BCRA has also eased regulations on foreign ownership of Argentine entities which had affected the country's capital inflows and outflows. Today, foreign investors can fully own a company and operate in financial markets (listed shares included) without any form of prior government approval. It is now fair to say that Argentina enjoys a free foreign exchange market and that all capital flow restrictions have been lifted.

INFRASTRUCTURE

Over the last decade, and despite a history of strong infrastructure, Argentina dropped 61 positions in the Global Competitive Report published by the World Economic Forum (WEF) to 122nd. This context allows for numerous investment opportunities, particularly given the country's renewed access to international capital markets.

In terms of transport infrastructure, national road & railroad systems extend over 35,000 km, maritime connections operate through 43 ports while air traffic connects to 54 airports.

Argentina has 40 port zones along its Atlantic coast:

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

Main airports:

- Aeropuerto Internacional de Ezeiza (Ministro Pistarini), in the province of Buenos Aires.
- Jorge Newbery, in the Autonomous City of Buenos Aires.

Other important airports are located in Mendoza, San Carlos de Bariloche, and Córdoba.

Argentina has one of the most dynamic mobile communications markets in Latin America and the third largest in the region after Brazil and Mexico. Mobile penetration is around 140% (2016). Although Argentina's broadband penetration is the third highest in Latin America, after Uruguay and Chile, its average download speeds, at about 5.5Mb/s, are relatively low for the region.

64% of Argentina's energy generation comes from conventional sources (gas & petroleum). The other 36% is a combination of hydropower (≈30%), nuclear energy (≈4%), mineral carbon, firewood, bagasse, vegetable oils, alcohol fuels, wind energy, and solar energy.

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

2. SETTING UP A BUSINESS

BUSINESS TYPES

The most commonly used investment vehicles by 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 Public Registry of the City of Buenos Aires ("Inspección General de Justicia" or "IGJ"), are set out below.

> The most commonly used investment vehicles by non-resident individuals and foreign companies are: Corporation, Limited Liability Company and Branch.

Corporation (*Sociedad Anónima*, or "S.A.")

- Capital is represented by shares of stock. Shares must be registered and non-endorsable. 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).
- The shareholders' liability is limited to the capital contributed by them. 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 Public Registry 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, constituting one or more persons. A majority of the Directors must be Argentine residents.
- Certain stock corporations that are subject to permanent state supervision should have their own supervisory position within the company. Depending on the circumstances, this position may be fulfilled by an individual statutory auditor (*síndico*) or by a statutory audit committee (*comisión fiscalizadora*) appointed at the Shareholders' Meeting.

Single Owner Corporation (*Sociedad Anónima Unipersonal* or "SAU")

The New Civil and Commercial Code allows 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 abbreviation "SAU".
- 100% of the amount should be contributed upon creation and 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 quotas that they agreed to subscribe to. Quota transfers shall be registered with the Public Registry.
- The number of quota 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 the quota holders is adequate in relation with the corporate purpose of the entity.
- The administration is in charge of an individual or collegial management. The appointment of a statutory supervisor or supervisor committee is optional for those SRLs that do not exceed a capital amount of ARS 10,000,000.
- Similar rules apply to SRLs and SAs regarding partners' and managers' liability, with a few exceptions. Notwithstanding more than one manager, liability will depend on the provisions of the bylaws.

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 Registry of Public Commerce, 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 Public Registry. 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 the Companies Act 19,550 (amended by the New Civil and Commercial Code), all partners are jointly and severally liable for the partnership's obligations once its assets have already 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 required by the local regulator for the incorporation of a branch of foreign entities.

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 results from such activities. As with UTEs, this type of business integration does not create a separate entity beyond its members. It has a contractual basis.

Cooperating consortium agreement (*Consorcios 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 assumed by the legal representatives of the consortium.

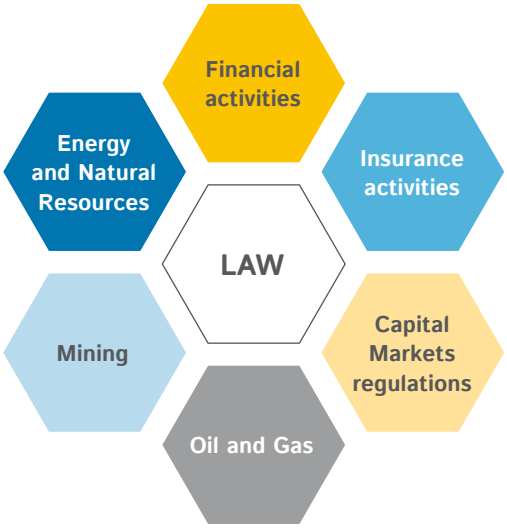
Trusts (*Fideicomisos*)

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

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

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

REGULATORY FRAMEWORK



Financial activities

Pursuant to the Financial Entities Act 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 Superintendence of Insurances (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 assigned local capital;
c) State-owned entities, whether national, provincial or municipal.

Capital Markets regulations

The Argentine capital market is regulated by Law 17,811 (as amended by Law No. 26,831) (the "Securities Law"), which enacted the rules for the public offering regime. In addition to the general rules set forth by law, the Argentine Securities Exchange Commission (CNV) completed regulatory framework through Resolution No. 622/2013.
In general terms the Securities Law reflects most of the provisions introduced in the Transparency Decree No. 677/2001.
All agents or issuers shall be duly authorized and registered before 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 and must comply with provincial and municipal regulations regarding technical, safety and quality standards.
In order to obtain an exploration permit or a production concession, the applicant must go through a competitive bidding process. 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 register at the Ministry of Energy & Mining and at the pertaining provincial authorities as an oil company. . In order to transport hydrocarbons through pipelines, any individual or legal entity must hold a concession from the federal or provincial authorities.

Mining

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

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

Energy and Natural Resources

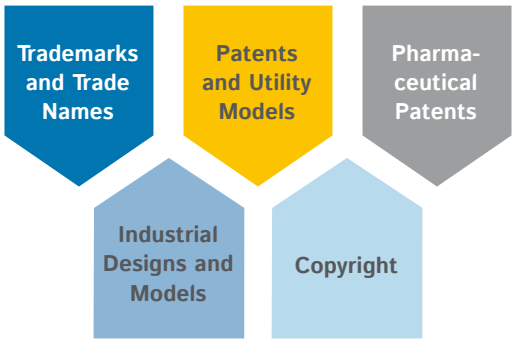
The electricity sector was reformed and privatized in 1992 by the federal and provincial governments. At the federal level, the legal framework is composed by Law No. 24,065 and its regulatory Decrees 1398/1992 and 18619/95, among many other decrees and resolutions from the regulating agencies.

This legal framework created four vertical divisions within the electricity sector: generation, transmission, distribution and demand. As a complement of the general legal framework in the electricity sector, in December 2006 and in October 2015 the Argentine Congress passed Laws No. 26,190 and 27,191 that set the rules that govern the generation, co-generation and auto-generation of electricity through renewable sources of energy.

The regulatory framework under “renewable sources of energy” includes the following: solar power, wind power, geothermal power, tidal energy, hydraulic power and biomass, among others.

The regulatory framework grants certain tax benefits to the individuals or entities in charge of qualified projects. In order to obtain these benefits, applicants must file their projects before the Ministry of Energy & Mining and receive a Certificate of Inclusion to the “Renewable Sources of Energy Program”.

INTELLECTUAL PROPERTY PROTECTION



Trademarks and Trade Names

Trademarks and trade names are governed by Trademark Law No. 22,362 and its regulatory decree. The law provides protection on ownership of a trademark and its exclusive use, after its registration with the Trademark Office (the *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 effective against third parties.

Pharmaceutical Patents

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

Industrial Designs and Models

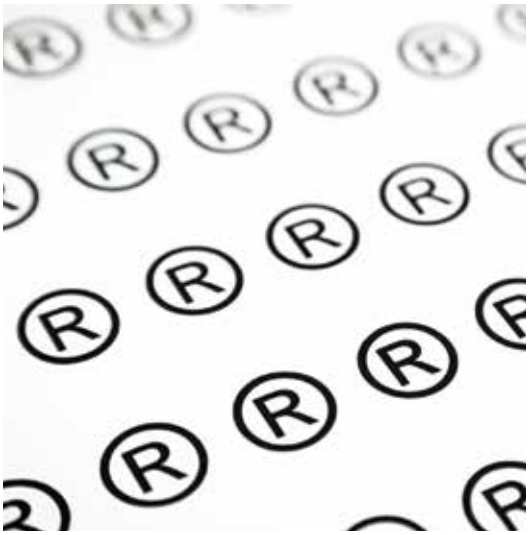
Industrial models or design registrations are granted to protect industrial production rights.
In order to apply for these certifications any foreign individual or legal entity must establish a legal domicile in the City of Buenos Aires. If the design or model was not used or publicized in Argentina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

Copyright

The legal framework for copyright regulation is set out in Law No. 11,723, as amended (the "Intellectual Property Law" or "IP Law").
Protection under the IP law includes scientific, literary, artistic or educational works, regardless of the processes used for their reproduction.

PROTECTION OF FOREIGN INVESTMENT

Foreign investors and their investments are protected by Argentine law. National and international provisions ensure Argentina is a safe destination for foreign investment and foreign investors. For instance, Argentina has signed almost sixty bilateral investment treaties and created an entire law (the Foreign Investment Law, No. 21382) 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 persons or legal entities established in member countries.



3. THE ARGENTINE TAX SYSTEM

MAIN TAXES

Federal, provincial and municipal governments levy taxes in Argentina. The federal government imposes an income tax, value added tax, minimum presumed income tax, personal assets tax, excise tax, tax on financial transactions and customs duties.

Provincial and municipal jurisdictions levy turnover taxes, real estate taxes, stamp duties, taxes on vehicles and taxes on public advertising, amongst others.

Federal Taxes

- Income tax
- Value added tax
- Minimum presumed income tax
- Personal assets tax
- Excise tax
- Tax on financial transactions
- Customs duties

Provincial and municipal Taxes

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

BUSINESS TAXATION

Corporate Income Tax

- **Resident companies:** Corporate income is subject to taxation only at the corporate level. 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%.
- **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

resident companies for the purpose of taxation. 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

- **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 considered a dividend and treated accordingly.
- **Transfer Pricing rules**
  Argentine regulations on transfer pricing require that prices in transactions between related companies abroad be consistent with prices that would have been charged in similar transactions performed on an arm's length basis.
- **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).
- **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.
- **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.
- **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. Foreign tax credit cannot be carried back, but may be carried forward for a period of up to five years.

Nonresident companies

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

Import-related income

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

Portfolio income

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

> Foreign companies are taxed only on income generated in Argentina.

OTHER FEDERAL TAXES

Value-added Tax (VAT)

Value-added tax (VAT) is a general tax on consumption within the Argentine territory. It is levied on the delivery of 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. VAT is reported and paid monthly, based on an online system designed by the tax authorities. Services rendered and loans granted from abroad but used by actors subject to Argentine VAT shall be taxable. The payment thereof will be used as a VAT credit.

The general rate is 21%. A higher rate of 27% is applied to electricity, natural gas and water supplied to business activities. The rate of 10.5% is applied to some activities. For example, to the construction industry only with respect to the construction of dwellings. This rate also applies to interest and commissions paid on loans granted by local financial institutions.
Capital goods, whether imported or manufactured, are subject to a regime that applies a VAT rate of 10.5%. The taxpayer's credits that originate as a consequence of these transactions can be refunded with certain limits.

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

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%. The tax does not apply if the aggregate value of the assets in the country is lower than ARS 200,000.

The income tax determined for the same fiscal year may be considered a payment of this tax to the extent that the income tax liability does not exceed the amount of the minimum presumed income tax. Otherwise, an income tax excess does not constitute a tax credit. However, if minimum presumed income tax exceeds income tax in a given fiscal year, such excess can be computed as a credit towards future income taxes occurring in any of the next ten fiscal years.

The minimum presumed income tax will no longer be effective, as of 1 January 2019 according to the recently issued Amnesty Law 27260.

Personal Assets Tax

All individuals domiciled in Argentina are subject to a tax upon their worldwide assets. Individuals not domiciled in Argentina are only liable for this tax upon their assets located in Argentina. The rate for individuals not domiciled in Argentina is a fixed rate of 0.50% for the 2017 tax period (to be lowered to 0.25% as of 2018).

The tax applicable on shares and other equity participations in local companies for individuals not domiciled in Argentina is paid by the local company itself. The applicable rate is 0.25% on the net worth value of the company.

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. 34% of the tax paid only on the credits on bank accounts can be considered as a tax credit towards income tax or minimum presumed income tax.

Excise tax

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

LOCAL AND PROVINCIAL TAXES

Turnover tax

Local governments impose tax on the turnover (revenues) of businesses. Tax rates vary depending on the type of activity and jurisdiction (there are 24 jurisdictions). Farming and cattle raising, mining and other primary activities are taxed at 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 receipts accrued in the calendar year. Exports of goods are tax exempt.

Stamp duty

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

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

Mining promotion

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

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

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

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).

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.

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 together in respect to investment projects which are intended exclusively for the export market.

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 26692 (they may be extended for another 15 years by the Executive Branch).

Under the law, the tax benefits include:

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

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.

Modern biotechnology

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

Tierra del Fuego

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

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

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

DOUBLE TAXATION CONVENTIONS

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

EXPORTING TO/FROM ARGENTINA

Import regulations

Argentine Customs Authorities have incorporated the Harmonized System Codes (HS codes) to classify goods and assign tariffs, which is the basis for the Mercosur Common Nomenclature (NCM), applicable to the Mercosur member-countries. Basic rates are calculated on the CIF (cost, insurance and freight) value of imports. Tariff rates vary according to the different kinds of goods and range from 0 to 35%. Depending of the tariff classification of the goods, imports may also be subjected to a statistics fee of 0.5%, which cannot exceed the maximum amount of USD 500.

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

The import of goods is subject to the advance payment of certain taxes (VAT / Income Tax / Turnover Tax advances). These charges are actually the advances for VAT, Income Tax and Turnover Tax liabilities that the importer shall pay in relation to its activities (sales, services, supplies, etc.) in the domestic market. For instance, the "Income Tax advance" collected by the Customs Authorities upon the import is a credit towards the payment of the annual income/corporate tax liability of the importer. (Please bear in mind that these advances – Additional VAT, Income Tax and Turnover Tax – are not applicable if goods are regarded by the importer as "fixed assets" for accounting purposes, or if the importer obtains specific tax exemption certificates). The VAT advance rate is 20% or 10% (depending on the classification of the goods); the Income Tax advance rate is 6%; and the Turnover tax advance rate is 2.5%.

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

In December 2015 a Comprehensive Import Monitoring System ("*Sistema Integral de Monitoreo de Importaciones* "SIMI") was implemented. Under this system and in order to obtain an import license (which depending on the product, may be an automatic license or a non-automatic license) the importer must submit a standard set of information through the Federal Administration of Public Revenues ("AFIP") website. This information will be shared with all the agencies involved in the clearance of goods through the Foreign Trade Single Window ("*Ventanilla Única de Comercio Exterior*" – "VUCE"). Authorities may request additional information. The approval will be granted within a term of 10 days in the case of automatic licenses and 60 days in the case of non-automatic licenses, from the filing. Information submitted through SIMI will be valid for 180 days from the date of the approval of the license. In practice, approval of non-automatic licenses is taking significantly longer than 60 days.

Export regulations

As of December 2015, Argentina has eliminated export duties, except for certain products (soy and products containing soy, soy oil, biodiesel, certain leather, certain cork, certain paper and cardboard for recycling and certain iron and steel waste). There are also certain export incentives, for example a scheme involving the refund of domestic taxes on the export of certain products. The rate of refund depends on the classification of the product.

Common market of the Southern Cone (Mercosur)

On March 26, 1991, Argentina, Brazil, Paraguay and Uruguay signed a treaty stating a gradual reduction in import duties on trade among the 4 countries. The full implementation of this treaty started as of January 1, 1995, with elimination of the import duties among the 4 countries. Since June 2006, Venezuela has been incorporated as a full member. However, the elimination of import duties is subject to a convergence program. Chile and Bolivia signed free trade agreements with Mercosur. The Mercosur has also signed preferential trade agreements with other ALADI countries (Mexico, Colombia, Ecuador, Peru, Cuba) with the end goal of creating free trade areas. There are also trade agreements with India and Israel.

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4. LABOR LEGISLATION

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

The law does not apply to domestic and government employees, whose work conditions are covered by separate statutes.

PAYROLL TAXES

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

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

SUMMARY OF EMPLOYER AND EMPLOYEE CONTRIBUTIONS

The following table summarizes the primary contributions.

	Employer - % [6] [7]	Employer - % [8] [9]	Employee - %
Pension fund	10.17 (a)	12.71 (a)	11.00 (c)
Pensioners' Healthcare Fund	1.50 (a)	1.62 (a)	3.00 (c)
Family allowance fund	4.44 (a)	5.56 (a)	-
Unemployment fund	0.89 (a)	1.11 (a)	-
Medical care	6.00 (b)	6.00 (b)	3.00 (c)
TOTAL	**23.00**	**27.00**	**17.00**

References:
a) These percentages apply to total remuneration without any limit.
b) These percentages apply without any limit to remuneration without as of November, 2008.
c) These percentages apply to the total remuneration or to the monthly limit of ARS 56,057.93-since March1st, 2016- (taxable salary) whichever is lower. This cap is updated every six months (March and September).

Employers may take a VAT credit for these contributions, whose magnitude depends on their contribution and the region in which employees are located.

[6] Employers in all sectors, except for commercial and service companies invoicing more than ARS 48M a year according to the Tax Authorities (AFIP) criterion.

[7] The Law sets forth a reduction in these percentages in case of companies with a head count of up to 80 people, provided the requirements established therein are met. The percentage and the reduction period vary according to the company's revenue and number of employees.

[8] Commercial and service companies invoicing more than ARS 48M a year according to the Tax Authorities (AFIP) criterion.

[9] Refer to note 7.

LABOR RISK INSURANCE

The Labor Risk Law prescribes that an insurance policy must be undertaken from an authorized Labor Risk Insurance Company.

The contribution to Labor Risk Insurance Companies is composed of a fixed amount per employee and a variable percentage. The latter is calculated on the basis of the employer's contribution to the employee pension (without any cap) plus any non-wage compensation (excluding compensatory items in case of termination). The average range varies from 0.50% to 17% of the taxable salary of each employee.

LIFE INSURANCE

It is mandatory for employers to buy coverage of ARS 33,330 per employee.

SOCIAL SECURITY AGREEMENTS

Argentina has entered agreements for social security reciprocity 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 with Chile, Slovenia, France, Greece, Italy, Peru, Colombia, Portugal and Spain.

SELF-EMPLOYED INDIVIDUALS

Self-employed individuals are required to contribute to a specific pension fund. The amount they need to contribute depends on the nature of their work and on a specific income tax table.

Independently of other labor relationships, directors of corporations and representatives of foreign companies are required to make contributions to the National System of Self-Employed individuals (this monthly contribution is range bound from ARS 1,839.85 to ARS 4,047.66, depending on gross revenue and as of the date of preparation of this document).

Both must also contribute to the Social Security System as self-employed individuals, .

LABOR CONTRACTS

Employment contracts are don't generally specify an end date in order to promote the permanence principle. This principle ceases to be applicable if: a) the timeframe of the contract has been set in writing and b) the activity justifies the exception. Employment contracts for unspecified timeframes are understood to have been entered into on a trial basis for the first three months. During this probationary period either party can terminate the relationship without specifying the cause but by giving notice. This termination will not give right to payment of indemnity.

Other types of contracts include: part-time contracts (working hours do not exceed two thirds of the normal working day) and seasonal contracts (when the relationship between the parties is limited to certain months of the year and repeated according to the business cycle of the activity in question).

Other contracting schemes accepted by Argentine labor legislation, which are exceptions to the general unspecified timeframe principle, include fixed term contracts and temporary employment contracts.

As these are exceptions to the general principle, their applicability must be analyzed taking into account the provisions of the Employment Contract Law on a case-by-case basis.

SPECIAL REQUIREMENTS FOR FOREIGN NATIONALS

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

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.

Expatriates may qualify for an exemption from pension fund contributions or from the benefits of a social security agreement.

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

SCOPE OF BENEFITS

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

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

Some measures have been taken in order to increase the minimum pensioners are entitled to at retirement. Persons older than 65 years are entitled, to a minimum guaranteed monthly pension of ARS 4,958.97 (as of August 2016).

SALARY - OTHER EMPLOYEE BENEFITS

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

Pursuant to the Employment Contract Law, an additional annual bonus equivalent to a monthly salary shall be paid in two parts on June 30th and December 18th of each year. Moreover, employees are entitled to vacation days, based on seniority (ranging from 14 to 35 days per annum).

Items such as overtime and sick leave are specifically governed by the provisions of the Employment Contract Law.

TERMINATION OF THE LABOR RELATIONSHIP

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

In case of resignation, the employer shall not pay any additional items other than the accrued salary, unpaid vacation and proportional thirteenth month salary. In the case of dismissal without cause notice and severance pay apply.

5. ACCOUNTING AND AUDITING STANDARDS

FINANCIAL REPORTING

Based on General Law of Business Associations and IGJ (Inspección General de Justicia, the Public Registry of commerce) 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 as 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 the 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 (carried out by an external auditor).

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

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.

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

Company	Deadline after year end (or term)
Companies with listed securities	70 days
Financial institutions	20th day of the second month subsequent to 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 convened within four months following year end.
(2) The financial statements are required to be presented to the IGJ electronically, generated by the application program provided by the IGJ, along with a sworn statement by the Company and the certification of an independent public accountant.

- 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, in the case of stock corporations not included in section 299 of General Business Associations Law (see above) and limited liability companies with a capital equal to or exceeding ARS 10 M the regular meeting may exempt administrators from preparing said Shareholder Letters if third-parties have not 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 consecutive to 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 begin a certain number of days after the beginning of the calendar year:

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

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

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

PROFESSIONAL ACCOUNTING STANDARDS

General aspects

Argentina is a Federal Republic made up of 23 provinces plus the Autonomous City Buenos Aires City. 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), with the 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 an "assimilation" to the international accounting standards.

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 TR 43, to the separate financial statements of parent companies. Until the issuance of TR 43, IFRS was 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 the 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 a controlling entity, its separate financial statements shall be considered for all statutory purposes in Argentina. Consolidated financial statements are 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 cannot be used by SMEs that are expressly excluded from their application by the IASB. This includes entities whose debt or equity instruments are negotiated on a public market or that are in the process of issuing these instruments, or when one of its main activities is to hold assets as a trusty 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.

3. 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 or above 100%. Other qualitative reasons can be used as reasons, with some limitations.
- If the conditions for the restatement of financial statements in foreign currency have taken place, 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 can be applied since 2003 (when the accounting standards interrupted the adjustment for inflation in Argentina) or since the company was set up (if it was 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 body). As of June 30, 2016the domestic wholesale price index show a three-year accumulated inflation close to 100% 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 the Presidential Decree 664/2003, which prohibits that adjustment.

4. Measuring methods

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

For assets:
- 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

For liabilities:
- Original amount
- Settlement cost
- Discounted amount (present value) of the cash flows to be disbursed
- Percentage of equity interest on the accounting measurements of liabilities

The FACPCE has established that, if some issues do not have a defined accounting treatment, 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 jurisprudence.

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 as statutory accounting standards the professional accounting standards approved by the FACPCE and adopted by the Professional Council in Economic Sciences of the related jurisdiction. Other government entities issue specific resolutions whereby they adopt the professional accounting standards partially or in full. Finally, there are government entities which issue their own statutory accounting standards, which may contain significant differences with professional accounting standards, 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 the type of entity. However, the actual use of this option does not depend solely on the decision of the issuer of the financial statements, but on the authorization of the corporate oversight agencies. In consequence, some institutions have taken the following measures:

i) the BCRA has prepared a roadmap for converging with IFRS in the case of 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 N° 37, which replaces TR N°7, describes standards related to performing audits and limited reviews of financial statements of entities. In addition, some enforcement a FACPCE's TR N° 37, which replaces TR N°7, describes standards related to performing audits and limited reviews of financial statements of entities. In addition, some enforcement agencies issue obligatory 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 the 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 N° 32: adopts and requires the mandatory application of the IAS issued by the IFAC for audits of financial statements which are required to be prepared under IFRS, effective as from fiscal years beginning on or after January 1, 2014.
b) TR N° 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, and allowing early application.
c) TR N° 34: which adopts and requires mandatory the 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 N° 32 & TR N° 33: may be applied voluntarily in cases other than those indicated in (a) and (b) above and, in such cases, application of TR N° 34 is mandatory.

FOR MORE INFORMATION, PLEASE VISIT www.investandtrade.org.ar OR CONTACT US AT welcome@invest.org.ar.

About the Argentina Investment & Trade Promotion Agency

Established in 2016, the Agency contributes to the social and economic development of Argentina by:

- Attracting and facilitating high-quality foreign direct investment (FDI) in strategic sectors.
- Helping Argentine companies expand their businesses in international markets.
- Promoting an improved business climate and regulatory environment.
- Generating detailed market information and insights that add value to investors and Argentine companies.

Our mission

Our mission is to contribute to the creation of quality jobs in Argentina by promoting investment and international trade. We aim to be the strategic partner and single point of contact for companies, facilitating streamlined and transparent processes.

INVEST

Promotes Argentina as an attractive investment destination and assists investors throughout the investment process: analysis, decision-making, establishment, operation and reinvestment.

TRADE PROMOTION

Develops and manages export promotion programs to help local companies grow their businesses in international markets and become integrated into global value chains.

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