

AUXADI

COMPLEXITIES IN NEW MARKETS

ARGENTINA





In this series, we discuss some of the complexities to consider when expanding your business across borders, or if you're looking at multinational investment. There are many general issues, and different countries have very different legislation, regulation and tax regimes.

Here, we review some of the complexities to keep in mind when expanding or investing into Argentina.

Introduction.....	2
Opportunities	3
FDI	3
Doing business & establishing a company.....	4
Tax & Accounting / Regulatory	5
Banking	5
Labour / Payroll matters.....	6
Conclusion	6



Introduction

Argentina's natural resources (copper, gas and oil), developed industrial base, and skilled and educated population make it attractive to investors. However, these credits are often overbalanced by debits – particularly economic ones.

Argentina has had a turbulent history. It was one of the richest countries in the world in the 1920s. Since then, it has changed currency on five occasions, maintained an average inflation of 105% (though the average over the last 3 years is 35%) suspended foreign debt five times, and today remains the IMF's biggest debtor, with some USD 44 billion outstanding.

The Argentinian government is actively seeking foreign investment. Pro-market reforms are often on the agenda and the business climate has improved, though economic insecurity and crises hinder efforts. The national infrastructure desperately needs updating, which also creates opportunities.

But it's ranking of 126/190 for Ease of Doing Business means there are obviously still issues to be solved.



Opportunities

Investment opportunities in Argentina include; call centres, information/communications technologies (IT developers), natural resources management, hydrocarbons, health, agriculture, automobiles, food processing, and renewable energies.

Argentina has some of Latin America's most abundant renewable energy resources – steady winds in southern Patagonia, year-round sunshine in the remote northwest, hydropower and biomass fed by rivers, and expansive farmland. The government has introduced new laws, such as Law 27.191, pledging that renewable electricity should contribute to 20% of the energy mix by 2025 and 35% by 31 December 2030.

Working with the IFC to ensure international standards, Argentina has held energy auctions, awarding contracts for over 6.5 GW from 2016–2019. Between 2021 and 2030 it is expected to add another 14.8 GW capacity.

- [GlobalTenders: Argentina](#), Tenders and projects in Argentina
- [Tenders Info: Argentina](#), Tenders in Argentina
- [DgMarket: Tenders Worldwide](#), Tenders Worldwide

FDI

Over the last decade, successive governments have made significant changes to encourage foreign investment, including an end to currency controls, tax cuts, and improving transparency of administrative and regulatory processes. Foreign private entities can establish and own businesses with the same conditions as local companies.

Foreigners can have the full equity ownership, and are not subject to any authorisation or declaration, even with majority shareholding – with exception of the air transportation (max 49%) and media sectors (30%). Though there are a few restrictions on land ownership; foreigners cannot own aquifer reserve land or land near a Border Security Zone, and cannot own more than 1,000 hectares (2,470 acres) in the most productive farming areas.

Argentina is actively looking for foreign investors in the gas, energy, technology, aeronautics and telecommunication sectors, and has updated its legislation to encourage investment. Regional infrastructure development plans have also been launched. Existing programmes to promote investment range from reimbursement of VAT to sectoral incentives.

FDI is currently mainly oriented towards manufacturing, mine and oil extraction, trade, banking and other financial entities, information / communication and agriculture.

The US, Spain, and the Netherlands contribute more than half of Argentina's total FDI. Other main investing countries are Brazil, Chile, Switzerland, Uruguay, France, Germany and Canada.



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Doing business & establishing a company

Launching in Argentina takes just 11 days – far less than the regional average of 31 days.

There are various corporate structures available in Argentina, though the most common entity types are:

Type	No. Partners	Capital	Liability
Sociedad Anónima (SA): Public Limited Company	Minimum 2 partners/shareholders; no maximum.	Minimum capital ARS 100,000.	Limited to the amount of capital contributed/subscribed shares.
Sociedad de Responsabilidad Limitada (SRL): Limited Liability Company	Minimum 2, maximum 50 partners.	No minimum, but the capital must be appropriate to the corporate purpose of the company.	Limited to the amount of capital contributed.
Sociedad por Acciones Simplificada (SAS)	Minimum one shareholder, no maximum.	Two minimal wages (25% paid-up).	Limited to the amount of capital contributed.





Tax & Accounting / Regulatory

Argentina has Double Taxation Treaties in place with 25 nations, and has totalisation agreements in place with most of LATAM.

The hours required to undertake Argentina's tax formalities holds up well against the regional average; business spend approximately 312 hours per annum on taxes (the regional average being 317 hours). The tax year runs from 1 January to 31 December.

Argentina's tax system is complex, with federal, state and municipal taxes as well as social security and national health care.

The standard corporation tax rate is 30%, and residents and foreigners receive the same tax treatment. Non-resident companies are only taxed on their Argentine-sourced income, though withholding tax applies to dividends and branch profit remittances.

There are also specific rules regarding capital gains, interest deductions, and representation. Net operating losses can be carried forward for five years, but loss carrybacks are not permitted.

Argentina uses IFRS accounting standards, though the move to IFRS is still recent (2018). All businesses must submit balance sheet and P/L to auditors annually, though auditors can be internal or external. All commercial companies must also draw up journal, ledger and follow up stock evaluations on a yearly basis. IAS29 ('Financial reporting in hyper-inflationary economies') should also be applied in Argentina.



30%

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Banking

A financial transactions tax of 0.6% is applied to all deposits and withdrawals.

Moreover, authorities enforce stringent capital controls on businesses remitting earnings overseas, capping maximum foreign currency purchases.

That said, it's not difficult to open a business bank account in Argentina, though you have to have a local entity.



Labour / Payroll matters

The standard Argentinian working week is 48 hours, but there are many exceptions. It's also estimated that 30% of the active population 'moonlights' or has a second job. Legislation governs contracts, and they can be very rigid, but contracts are completed through collective agreements and individual negotiations. Around 40% of workers are unionised.

Minimum wage is 25,272 ARS/month (265.457 USD/month).

Minimum working age is 14 years, and paid vacation allowances are based on length of service.

Social security contributions can range from 18–23.5% of payroll, and the national health care scheme is a 6% contribution. Employees also contribute to both schemes (14% and 3% respectively).

Be aware – legislation and procedures around hiring / firing are constraining and inflexible.

Conclusion

Having an Argentinian contact is essential; many companies have trouble navigating local bureaucracy. This is also true of the Argentine culture, particularly the business culture. Language difficulties may not be your only issue.

Local knowledge and experience are key to navigating Argentina's business fabric.



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With subsidiaries in 22 countries, a wide affiliate network, and clients in +50 jurisdictions, we use our Local Knowledge and International Coverage to make your life easier.



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