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Global Tax Alert

News from Americas Tax Center

Argentina enacts tax changes, including a VAT collection system for nonresidents

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Argentina enacted Law No. 27,346 (the Law), through publication in the *Official Gazette* on 27 December 2016. The Law makes several changes to the Argentine tax regulations.

Specifically, the Law:

- ▶ Adds a mechanism for the payment of value added tax (VAT) on services provided in Argentina by nonresidents
- ▶ Modifies the individual income tax rules and the simplified system for small taxpayers
- ▶ Increases the corporate income tax rate for gambling and betting activities
- ▶ Creates new taxes for betting and gambling activities
- ▶ Creates a new tax on speculative financial transactions (known in Spanish as “Dólar futuro”)

VAT regulations for nonresidents

The Law amends the VAT Law with respect to taxable services rendered and activities performed in Argentina by nonresidents.

Under the Law, Argentine beneficiaries, recipients, lessees, borrowers, agents and intermediaries of nonresidents acting as substitute taxpayers will pay the VAT.

The substitute taxpayers will pay the corresponding VAT (the general rate being 21%) and use the amounts paid as input VAT to offset their own output VAT. When it is not possible to withhold the tax, the Law states that the substitute taxpayer will be responsible for paying the tax.

New regulations are expected to be issued to establish the procedures for complying with the Law and to clarify different aspects of the Law's application. In addition, the Executive Branch has the authority to introduce exclusions to this new rule. Taxpayers should monitor the evolution of these rules to understand the extent of their effect on the services and activities performed by nonresidents in the country.

Other tax developments introduced by Law No. 27,346

The Law made several modifications to the Argentine tax system. The Law increases the amounts for individual income tax deductions and also introduces certain new deductions for tax year 2017.

The Law also modifies the rules of the simplified system for small business owners, effective 1 January 2017.

Additionally, the Law increases the corporate income tax rate applicable to gambling businesses from 35% to 41.5% for income derived from the operation of casinos, electronic gaming machines, automated betting and digital platforms. This rate applies to the entire fiscal year that was open as of 27 December 2016, the date the Law was published.

The Law creates a "tax on betting," effective 1 January 2017. The tax applies to income derived from electronic gaming and automated betting machines. The tax rate is 0.75% of the value of each bet. The Federal Tax Authorities are expected to issue the procedures for calculation and payment of the tax every 15 days.

In addition, the Law creates an "online betting tax," effective 1 January 2017, for income derived from bets made in Argentina through any type of digital platform (i.e., gambling and betting games developed and/or operated through the internet), irrespective of the location of the servers. The tax rate is 2% of the value of each bet, and the intermediaries that facilitate the payments will have to act as agents collecting the tax and remitting it every 15 days. The federal tax authorities are expected to issue the appropriate regulations and procedures.

The Law establishes an extraordinary tax on speculative financial transactions (known in Spanish as "Dólar futuro"). The tax applies only once to individuals and corporations deriving income from the trading of future contracts in foreign currency as underlying assets (to the extent they were not intended to hedge foreign trade or financial operations denominated in foreign currency). The tax rate is 15% and applies to individuals for tax year 2016 and to corporate taxpayers for the entire fiscal year that was open as of 27 December 2016, the date the Law was published. This tax is calculated as a supplement to the annual income tax and is not deductible for income tax purposes.

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