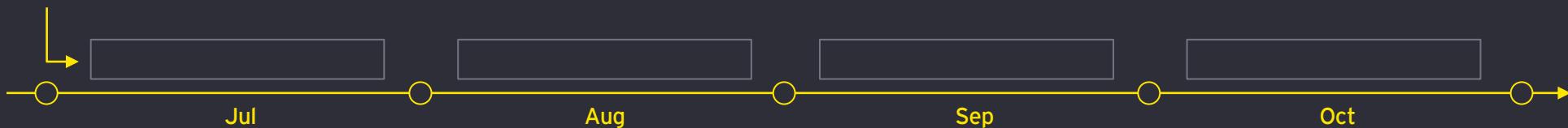


Tax Agenda Argentina

July 2024



No.	Fact	Action
1	Regularization of intercompany balances As a result of current economic and regulatory environment (e.g. foreign exchange (FX) controls, high inflation, etc.) Argentine companies may have accumulated intercompany cross border payables in recent years which produce tax and accounting implications (e.g. FX difference losses; non-deductibility of certain intercompany expenses, etc.).	Argentine companies should analyze existing intercompany payables and evaluate alternatives for their settlement (e.g. payment, capitalization, offset, etc.). They should also analyze associated tax effects (e.g. withholding tax (WHT), deductibility, value added tax (VAT), tax treaty utilization, transfer pricing (TP)); and regulatory effects (e.g. National Institute of intellectual property (INPI) and Argentine Central Bank rules, etc).
2	FX rules impact cross border transactions and motivate the review of risks and functions Multinational groups doing business in Argentina are evaluating Operating Model Effectiveness (OME) projects in order to realign their businesses considering tax and FX rules. Companies typically consider shifting out of the country functions and risks, or conversely, shifting into the country functions to export services.	Multinational groups should review functions and risks of companies in order to identify alternatives to manage the impact of the Central Bank regulations (FX rules). Some usual concerns include cash repatriation out of Argentina, tax rate, creditability of foreign WHT, etc.



Use text boxes above the timeline to plan your actions for coming months

Effects of inflation on income tax

3 Despite that the inflation rate is decreasing on a monthly basis, it is still envisaged that the annual inflation would still be high. In this regard, corporate income tax law provides for "adjustment for inflation" rules for the calculation of the tax. However, it is debatable whether the inflationary adjustment of net operating losses (NOLs) is allowed, as Tax Authorities generally challenge it.

Taxpayers should analyze in detail and in advance the effects of the inflation in the income tax calculation for Fiscal Year (FY) 24; as well as alternatives for the income tax calculation and filing, including the adjustment of NOLs (with the risk of a potential tax dispute/litigation).

**Mandatory Disclosure Rules (MDR)**

4 Argentina introduced MDR applicable to fiscal years closed from August 31, 2022 onwards. Argentine companies are required to disclose the existence of certain cross border operations or situations (according to the hallmarks defined by the Argentine Tax Authorities).

Argentine companies should review the hallmarks established by the Argentine Tax Authorities and verify its applicability to transactions conducted. Compliance of the MDR obligation.

**Several layers of indirect taxes impact the P&L of Argentine companies**

5 In addition to the federal Value Added Tax (Federal VAT) Argentine companies are subject to provincial Turnover Tax and Stamp Tax (24 provincial jurisdictions), and municipal taxes (over 2,000 municipal jurisdictions) which can have significant impact on the P&L of the companies. Accumulation of input credit may create cash necessities (situation which is aggravated in the current inflationary context).

Argentine companies should perform an indirect taxes review (e.g. provincial turnover tax, municipal taxes, tax on credits and debits, etc.).

**Argentine companies are subject to numerous informative regimes on international operations**

6 Different authorities (e.g. Tax, Customs, Central Bank, etc.) collect significant amounts of information on cross-border transactions and have initiated to cross check such information for audit purposes.

Taxpayers should review the consistency of the data provided to the authorities in the different informative regimes (which may be handled and filed by different teams from the organization). Some of the main sources of information include: TP Form, Customs declarations, Central Bank filings, Beneficial Owner, MDR, among others.

**Argentine companies may be impacted by Pillar Two regulations to be implemented in foreign jurisdictions**

7 The calculation of the minimum tax of 15% for Global Anti-Base Erosion rules (GloBE) purposes may be impacted by inflationary adjustments and their accounting treatment, thus resulting in an effective tax rate (ETR) potentially lower than 15% despite the highest corporate statutory rate is 35%.

Multinational Groups with subsidiaries in Argentina should carefully consider if any additional top up tax may be triggered due to the inflationary environment.

**Obligation to act as collection agent for several taxes**

8 Argentine companies are required to act as collection agent for federal and provincial taxes (e.g., withholdings on payments and reverse withholdings on invoices issued). The amounts collected must be remitted to the Argentine Tax Authorities. Significant penalties apply for non-compliance with these regimes.

Argentine companies should review the compliance with these collection regimes, in particular whether the Argentine company is duly acting as agent in the corresponding jurisdictions, and if so, if the corresponding rules (rates, deadlines, etc.) are observed.



No.

Fact

Action

Argentina enacts new rules with impact on repatriation of dividends and profits

9 The Executive Branch amended the application of the tax on purchases of foreign currency (Impuesto PAIS), establishing that it will also apply to the remittance of profits and dividends abroad at a rate of 17.5%, under certain circumstances.

Argentine companies should continue to evaluate alternatives for repatriation purposes, and the related tax and FX implications.



Argentine Congress approves bills that include major tax measures

Argentina enacted the Law of Bases and Starting Points for Argentine's Freedom ("Ley de Bases" in Spanish) and the Tax Package Law.

Ley de Bases declares public emergency in administrative, economic, financial and energy matters, as well as delegates legislative faculties to the Executive Branch for one year. Among the main changes established by this law are certain labor modernization rules, and a Special Incentive Regime for Large Investments ("RIGI" in Spanish).

The Tax Package establishes, among others, the following measures in tax matters: i) Exceptional Regularization Regime ("Moratoria" in Spanish) for Tax, Customs and Social Security Obligations which were due until 31.03.2024, inclusive; and ii) Asset Regularization Regime ("Blanqueo" in Spanish).

Multinational Groups should analyze the changes under "Ley de Bases" and "Tax Package" to determine the impact and applicability to their operations, in particular the Tax Regularization Regime and the Incentive for Large Investments (RIGI).



10

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