THE TAX SYSTEM IN ARGENTINA
Taxes

In Argentina, revenue is raised by the national, provincial and municipal governments, mainly through taxes levied on income, assets and consumption. At a national level, the Federal Administration of Public Revenues (AFIP for its acronym in Spanish), an autarchic entity that reports to the Ministry of Finance, is responsible for tax levy, collection and monitoring.

At a national level, the main taxes levied include: Income Tax, Value Added Tax, Minimum Presumed Income Tax, Excise Tax, Personal Assets Tax, and Taxes on Debits and Credits in Bank Accounts and Other Operations.

At the provincial level, taxes are collected and administered by the provincial revenue agencies working under the respective provincial ministries of economy. The main provincial taxes are Gross Income Tax (or Turnover Tax), Stamp Tax and Real Estate Tax.

Municipalities raise revenue through rates and special contributions.

National taxes

Income tax

All income, including capital gains, is subject to taxation. Companies residing in Argentina pay taxes on their world income. However, they may include any similar taxes paid on their activities abroad up to the tax liabilities increased as a result of incorporating the income earned abroad.

For taxation purposes, those considered residents are: Argentines and nationalized foreigners, foreigners with permanent residence in Argentina or those who have legally resided in the country for 12 months; the undivided estate of deceased taxpayers who were Argentine residents on the date of their death; incorporated businesses (Sociedad Anónima or SA for the acronym in Spanish) and other associations (sole proprietorships, civil associations, foundations, etc.) established in the country. Local subsidiaries of companies established abroad are considered resident entities and thus subject to taxation.

The tax rate applicable to resident companies and branches set up in this country belonging to non-resident companies is 35% of total earnings.

Non-resident companies that do not own branches or any other permanent establishments in Argentina are only subject to taxes on income earned locally. The tax is withheld by a withholding agent in Argentina according to a tax scale based on the type of income. These rates arise from the application of a 35% levy on presumed earnings as established by income tax law.

As in many countries, the taxpayer files an income tax report once a year. The tax result (profit or loss) is determined according to rules set by the corresponding legislation on taxable income as regards costs and deductible expenses, exemptions and personal deductions, inventory and credit valuation methods, loss carry forwards, etc.

Double taxation agreements

Argentina has signed double taxation agreements (DTAs) with different countries (+15) in order to avoid double taxation on companies or individuals' income, capital and/or assets.
Value added tax (VAT)

VAT is a tax levied on the value of goods and services at every stage of the commercialization process; however, unlike a sales tax, remittances to the government and credits for taxes already paid occur each time a business in the supply chain purchases a product or service. General VAT is 21%.

A differential VAT of 10.5% applies, among others, to the following activities:

Primary production of:

- Live cows, sheep, camels and goats.
- Meats and edible wastes from cows and sheep, fresh, cooled or frozen, not submitted to actual cooking or manufacturing processes.
- Fruits and vegetables, fresh, cooled or frozen, not submitted to actual cooking or manufacturing processes.
- Grains –cereals and oil seeds, excluding rice- and dry vegetables –beans, Green peas and lentils.
- Honey from bees in the bulk.
Cultivation works (preparation, plough, etc. of the soil), sowing and/or planting, application of agrochemicals, fertilizers and their application and harvest of the three first primary productions described above.


Construction of works on real estate owned by third parties used for housing.
Construction of works on own real estate used for housing made by building companies.
Bank interests and commissions originated from loans granted by:

- Financial entities governed by the respective law.
- Bank entities settled in countries the Central Banks of which have adopted the international standards of bank supervision established by the Basle Bank Committee.
The sales, leases and imports of certain specifically determined property, plant and equipment.
The income from the sale of journals, magazines and periodical publications issued by small and medium sized enterprises (SME) when non-exempted and the income from advertising in such media.

Public transportation of passengers for more than 100 kilometers (public transportation of passengers for less than 100 kilometers is exempted).
The services of sanitary, medical and paramedical assistance provided by cooperatives, mutuals or pre-paid medicine companies that are not exempted.

Oil gas.

Fertilizer for agricultural use.

Sale of newspapers, magazines and periodical publications (excluding the non-taxable) and the sale of advertising space in the case of small and medium sized enterprises.

A differential VAT of 27% applies for the sale of gas, electric power, running water, telecommunications services, sewer and drainage services, always provided that they are used in production stages.

Imports are also subject to VAT at the same rates as domestic goods or services.

Exports are not subject to VAT.
Minimum presumed income tax (MPIT)

All Argentine companies pay minimum presumed income tax (MPIT), an annual tax of 1% calculated based on the value of all corporate assets in Argentina and abroad. It is also levied on goods located in Argentina belonging to permanently established foreign individuals or entities.

Companies are required to pay either income tax or MPIT, whichever is the larger of the two. Any excess of the MPIT over the income tax may be carried forward and credited against any income tax liabilities which may arise over the next ten years.

It is possible to compute a tax credit for any similar tax paid abroad on assets located outside the country.

Similarly pre-payments towards future tax liabilities should be recorded for each period.

Minimum presumed income tax (MPIT) will be eliminated by 2019.

Personal assets tax

Individuals and undivided estates should pay this personal tax calculated on assets exceeding a total wealth of AR$ 800.000 (for year 2016), AR$ 950.000 (for year 2017) and AR$ 1.050.000 (for year 2018).

Residents must pay a yearly amount calculated at a rate of 0,75% (for 2016), 0,50% (for 2017), and 0,25% (from 2018 onwards). Individuals domiciled abroad are taxed only on their assets located in Argentina.

Excise taxes

An excise tax is an inland tax on the consumption of specific goods, levied at different rates and subject to different filing and payment rules. In general, excises are paid by manufacturers or importers upon purchasing specific products such as spirits, tobacco and luxury goods.

Tax on debit and credit bank transactions and other operations

Credits and debit transactions in bank accounts held with institutions governed by the Financial Institutions Law are subject to a general tax rate of 0.6%. In addition, all money transactions are taxed at 1.2% if carried out using payment systems that replace the use of current accounts. Certain transactions are taxed on different rates and qualify for specific exemptions.

Provincial taxes

Gross income tax

All the provinces and the city of Buenos Aires apply this tax on the gross income earned by all companies engaged in commercial, industrial, agricultural, financial or professional activities.

This tax is levied on each commercial transaction and no fiscal credits are awarded for taxes paid during the preceding periods. The rates depend on the industry and sector, ranging from 1.5% to 5% approximately. The taxes are paid throughout the year with payments made monthly or every two months, varying from province to province. Some primary and industrial activities, however, enjoy certain exemptions.
In the case of the city of Buenos Aires professionals who do not perform their activity in the form of a company are exempt from the gross income tax.

**Stamp tax**

The Stamp Tax is a provincial tax levied on the execution of notarized and private instruments embodying contracts and other transactions for valuable consideration.

**Real property tax**

Real property owners are required to pay an annual tax levied on their properties at the rate established by law depending on the tax valuation of the land, free of any improvements, and on the improvements to such land, if any.

Real Property Tax is applied to the value of the land and buildings without taking into account the taxpayer’s financial situation. The amount is set by the appropriate tax authority and is calculated according to the tax laws of each fiscal period which establish the valuation and rate scales to be applied to the taxable base depending on the type of property.

**Municipal taxes**

Municipalities collect fees for various services related to industrial safety, public hygiene and lighting, to name a few, calculated based on variables such as revenue or fixed parameters such as the number of employees or driving force capacity/horse power, among others.