

The following is a summary of the **main aspects of the tax legislation reform project, announced on 31st October 2017 by the Argentinian National Government**. As of today, the draft version of the Bill has not been officially published. As soon as more details are made public, as well as its final text, we'll be enlarging our comments and pertinent details.

Main objectives of the reform

- Promote investments, competitiveness and quality employment.
- Move forward towards a more equitable, efficient and modern tax system.
- Drastically reduce tax evasion.
- Comply with fiscal targets.
- Move forward towards development.

Reduction of Income Tax (over Retained Earnings)

The Income Tax rate applicable to companies is gradually reduced from 35% to 25% for non-distributed earnings (30% for the years 2019 and 2020, and 25% as from 2021).

VAT

A reimbursement regime of VAT fiscal credits is implemented for companies which after having made investments have not yet recovered such credit over a period of 6 months.

Non-Taxable Minimum for Employers' Contributions

A Non-Taxable Minimum in the amount of AR\$ 12.000 of the gross salary will be established for employers' contributions.

Furthermore, the rates corresponding to employers' contributions in the private sector will be gradually consolidated (single rate 19,5%) also eliminating the scheme for the reduction of contributions due to geographic zone.

Reduction of the Tax over Bank Debits and Credits

The tax over Bank Debits and Credits can be used as a payment into account of Income Tax.

A stepwise scheme will be implemented, as a result of which on the first year up to 20% can be discounted and successively thereafter until reaching 100% in five years.

Reduction of Turnover Tax / Provincial Taxes

The aim is to reach agreements with the different Provinces for the purpose of reducing turnover taxes, stamp taxes and eliminating internal/regional Customs offices.

Extension of Income Tax to Financial Profits obtained by individuals resident in the country.

Financial profits - currently exempt - will be subject to tax, with moderate rates according to the type of placement and with a special non-taxable minimum.

The rate will be 15% for annuities deriving from instruments in foreign currency or adjusted by inflation and other financial annuities. In such cases, exchange differences or updates are not subject to tax.

For the purpose of not encumbering the nominal annuity, the rate will be 5% for annuities deriving from a fixed income in Argentine Pesos, without adjustment clause. The current treatment (exemption) remains for shares with local quotation, subject to certain requirements.

Elimination of the Tax on Real Property Transfer

The Tax on Real Property Transfer is eliminated, introducing a tax on capital profits due to the sale of real property (except dwelling houses) with a reduced rate of 15%. The profits due to the sale of real property and other rights performed by individuals who do not regularly perform this kind of transactions will be subject to Income Tax. A 15% rate will be applicable over capital profits resulting from the updated cost of the property.

This tax is not applicable to the transfer of real property to be used as the dwelling-house of the taxpayer.

Also, this tax will be applicable for real estate bought after the entry into force of this law.

Modification of Internal Revenue Taxes

Internal Revenue Taxes are reduced for electronic products and medium range vehicles, increased for certain high range products and the rates for beverages which are harmful for the health modified.

Other Measures

- Income Tax (companies): regulation aspects are improved aimed at reducing tax evasion or avoidance:
- ✓ Improvement of abuse avoidance provisions in line with international standards - OECD (regulations to avoid deferrals, indebtedness in excess, transfer pricing and others).
- ✓ Limitation for exempt companies carrying out financial, insurance and other activities.
- Income Tax (individuals): establishes the non-applicability of provisions establishing preferential treatments for specific groups of workers.
- Personal contribution to Social Security: gradual elimination of the maximum limit applicable to the taxable base (currently AR\$ 82.000 monthly).
- VAT: the tax base is increased for digital services being provided by foreign companies. It includes services such as access or downloading of videos, music, games or other contents to be used in the country. Payment of the tax through payment agents involved (for example: credit cards).
 - The electronic fiscal domicile is established as a mandatory.