



ARGENTINA - November 2017

ARGENTINA'S LARGEST GRAINS-PRODUCING PROVINCE HIKES FARM LAND TAX 1

Argentina's largest grains-producing province hikes farm land tax

Argentina's leading grains-producing province approved a 50 percent increase in the tax on farm land as part of its just-passed 2018 budget, a levy that farmers say the tax will harm investment and production.

Buenos Aires province accounts for one-third of the area planted with soybeans in Argentina, the world's largest exporter of soybean oil and soybean meal as well as the No. 3 exporter of corn and raw soybeans.

The budget was passed on Tuesday evening.

The farm sector has generally been supportive of business-friendly President Mauricio Macri, who eliminated export taxes on corn and wheat shortly after taking office in December 2015. Farmers had clashed with his populist predecessor, Cristina Fernandez, who hiked the export taxes.

Planting area has increased and the country's farmers have harvested record amounts of corn and wheat in recent years, contributing to a rebound in Latin America's No. 3 economy in 2017 after a biting recession last year.

In a statement farmers groups warned that the measure could cause them to "deactivate growth and development plans."

"An increase closer to the inflation rate, such as 20 or 25 percent, would have been more reasonable and the sector would have accepted it," Matias de Velazco, president of producers group Carbap, told Reuters. "But a hike of 50 percent generates annoyance and anger."

The tax is determined by a complex formula considering the value of the land and other factors. According to Carbap, a farmer in Chacabuco who paid 102,067 Argentine pesos (\$5,845.43) in the tax in 2017 could expect to pay 153,100 pesos next year under the new formula.

The tax increase comes as Argentina's provinces and the national government both seek to reduce their fiscal deficits. Most of the 24 jurisdictions have signed on to a pledge not to increase their spending faster than inflation.

Buenos Aires Agricultural Affairs Minister Leonardo Sarquis said the tax increase should not be a blow to the industry.

"The incidence of the rural real estate tax is low in terms of the value of production per hectare," Sarquis told Reuters in an email.

The national government's aim to slash its fiscal deficit next year had already prompted a delay in the expected reduction of the soy export tax.

"The producers have already made all the necessary adjustments. It is the states that have not yet reduced their expenses," the producers statement said. (\$1 = 17.4610 Argentine pesos)

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