



ARGENTINA - December 2019

TAX REFORM MEASURES ARE ENACTED 1

Tax reform measures are enacted

Law 27,541 introduces a package of emergency tax measures to assist in recovery from the economic crisis.

The legislation (effective 23 December 2019) includes amendments in relation to income tax and dividend withholding tax rates; inflation adjustment for tax purposes; regularization of tax liabilities for micro, small or medium enterprises (referred to by the Spanish acronym MiPyMEs); personal property tax; export duties; and a new tax applicable to the acquisition of foreign currency and purchases made by Argentine residents using foreign currency.

Summary of tax changes

Corporate income tax

The previously approved reduction of the corporate tax rate from 30% to 25% that was scheduled to be effective 1 January 2020 is suspended for one year until 1 January 2021. Therefore the corporate tax rate remains at 30% for the calendar year 2020.

The scheduled increase of dividend withholding tax from 7% to 13% is also suspended until 1 January 2021.

Inflation adjustment

The law establishes a new method for inflation calculation adjustments—a method that corresponds to the first and second fiscal year starting after 1 January 2019. Instead of the one-third (1/3) factor as established under prior law, the tax reform provides that only one-sixth (1/6) of the inflation adjustment will be computed in the fiscal year of the adjustment calculation, and the remaining five-sixths (5/6), computed in equal parts, will apply in the five immediately following fiscal years.

Tax on credits and debits in Argentine bank accounts

The rate of tax on credits and debits in bank accounts is increased to 1.2% for cash withdrawals, except with respect to accounts held by individuals and entities qualifying as micro and small enterprises.

Wealth tax

The rate of the wealth tax imposed on the equity value of shares and equity holdings in Argentine companies is increased from 0.25% to 0.5% (this tax applies to resident individuals, and non-resident individuals and entities).

Taxation of financial investments for Argentine residents

Interest income derived from fixed-term deposits in Argentine currency, public securities, and negotiable obligations placed through public offering are exempt from income tax in fiscal year 2019.

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The taxation of financial investments is repealed as of fiscal year 2020 and later. Only the sales of shares and closed-end mutual fund condominium shares—which are not placed through public offering—are subject to tax.

Regularization of tax obligations, social security and customs for MiPYMES

The regularization regime applies with respect to tax liabilities and social security contributions—or infringements related to these obligations—measured as of 30 November 2019.

An application for regularization can be submitted up through 30 April 2020.

This regime intends to provide for “financing” of the tax liabilities in up to 120 installments, and includes the forgiveness of penalties and interest.

Personal property tax

A new progressive tax rate schedule provides that the personal property tax rates range between 0.5% and 1.25%, depending on the value of the taxpayer's taxable assets.

The authority to impose higher differential rates (up to 100% of the maximum rates as scheduled) is delegated to the office of the president until 31 December 2020 with respect to assets that are located outside Argentina, but these personal property tax rates could decrease with repatriation of the assets to Argentina.

Withholding tax on exports

The withholding rates applicable to exports (mainly agriculture) are increased.

New tax applicable to the purchase of foreign currency

There is a new tax imposed on Argentine residents for the purchase of certain foreign currency (having no specific purpose) or with respect to the purchase of foreign currency by means of credit cards. These transactions will be subject to tax at a rate of 30%.

This new tax is effective 23 December 2019, and applies for five years.

This tax will not be creditable against other taxes.

Social security taxes

The tax rates with respect to employer contributions (related to payroll) for social security purposes are: 18% for MiPyMEs and 20.4% for corporations.

Taxpayers can compute a portion of the employer contribution actually paid as a tax credit for value added tax (VAT) purposes.

Employers that have up to 25 employees on their payroll can deduct AR\$10,000 monthly.

The executive branch is authorized to require private sector employers to pay their employees minimum wage increases.

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