



Argentina Tax Reform: Major International Implications

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Santiago O. Zebel
The Corpag Group
santiago@corpag.com
Argentina

THE
CORPAG
GROUP



Argentina Tax Reform



CONTENT OF THE PRESENTATION

- Introduction
- Key International Tax Aspects of the Proposed Reform
- Final Comments

Argentina Tax Reform



Current Status

Bill of Law sent to Congress on
November 15th 2017

Is it a Relevant Reform?

Most important tax reform in
25 years

Most Important Tax Reform in 25 Years



- Tax and labor reform plan to be implemented over a five year period
- Substantial amendment to income tax law, VAT law, Customs Code, Tax Procedure Law and many other tax laws.
- Objective: Update Argentina's tax system, eliminate distortions and increase competitiveness of Argentina (attract investors, local and international), among other.

Tax on Indirect Sales

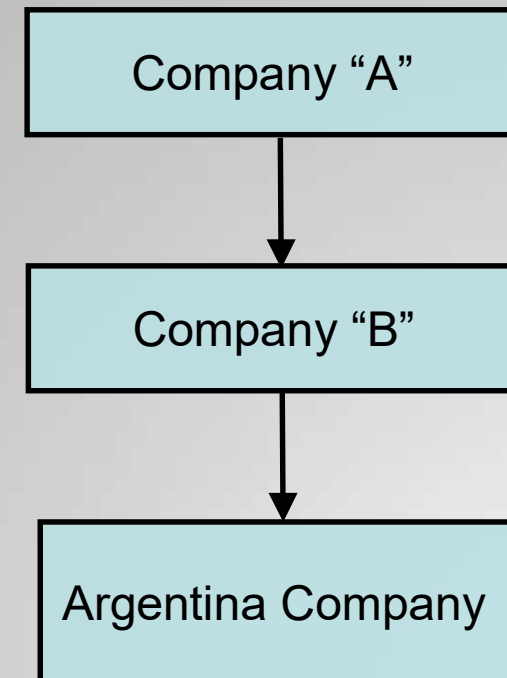


In general, sale of shares of Company "B" by Company "A" subject to tax to the extent the follow two conditions are met:

- 1) Market value of the participation in Company "B" owned by Company "A" must be 30% or more of the value of the Argentina Company (or Argentina PE or Argentina assets) that is owned by Company "B"; AND
- 2) Transfer of at least 10% of the shares of Company "B"

Anti Avoidance Regulations:

- Rule of "12 months"
- Includes direct or indirect participation (for cases of many layers).
- 10% includes control or connection (family, etc).





New Rules on Financial Income



- ❑ Sale of shares taxed at 15% on a net basis, except on shares listed in Argentina stock exchange (authorized by the Argentina Securities Commission).
- ❑ Exemption of income tax for non-Argentina residents in respect of interests and capital gains arisen from certain financial products (sovereign bonds and other financial investments such as negotiable obligations, bonds, financial securities).
- ❑ Digital Currency (e.g. bitcoins) regarded as assets (thus, realized capital gains subject to income tax).

Corporate Taxation and Dividend Taxation



- ❑ The rate of the corporate income tax would be gradually reduced from 35% to 25%:
 - 2017 – a rate of 35%
 - 2018 and 2019 – a rate of 30%
 - 2020 and onwards – a rate of 25%

An additional withholding tax would be levied on distributed dividends or profits to bring the total tax rate to 35%.

New Definition of Tax Havens



- ❑ Current system: White List of Cooperative Jurisdictions

- ❑ Tax Reform proposes two categories (instead of the White List):
 - Non-Cooperative Jurisdictions, AND
 - Low or Nil Tax Jurisdictions (Rule of 60%).



New Anti Deferral Rules



- ❑ Fiscal transparency for foreign passive income applicable to (i) companies in which passive income represents more than 50% of gross income, (ii) companies without adequate "substance" (i.e. no organization of material and personal means needed to undertake the activity of the company), among other cases. Certain additional requirements are applicable.
- ❑ New (unclear) regulations for foreign trusts, private foundations and other international vehicles. Key Aspect: "Control".

Other Proposed Modifications



- Definition of Permanent Establishment: Follow OECD recommendations (Connected with **BEPS Action 7**).
- Revised Thin Cap Rules (Connected with **BEPS Action 4**).
- VAT on digital services (Netflix, AppStore, Tinder, etc). Most likely, credit card companies would effectively act as collection and paying agents. Connected with **BEPS Action 1**.
- Refund of value added tax (VAT) credit balances related to capital investments.

Other Proposed Modifications



- New Tax Procedure Regulations:
 - Mutual Agreement Procedure (Connected with **BEPS Action 14**).
 - Advanced Pricing Agreements.
 - Increased sanctions regime for failing to provide the information requested by the Federal Public Revenue Administration related to Country by Country Reporting (Connected with **BEPS Action 13**).

- Changes to criminal tax law.



Final Comments



- ✓ Major Tax Reform
- ✓ Aimed at improving competitiveness of Argentina's Tax System
- ✓ From an international standpoint will have critical tax impact on:
 - Inbound and outbound projects.
 - Corporate projects and family planning projects.



Thank you!

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