

Global Tax Alert

News from EY Americas Tax

Argentine Congress approves bill establishing new tax settlement plan

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EY Americas Tax

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On 13 August 2020, Argentina's Congress approved a bill that would establish a new tax settlement plan for individuals and companies doing business in Argentina. The President is expected to sign the bill into law in the coming days. The bill will be enacted once it is published in the *Official Gazette*.

Once the President signs the bill, taxpayers should continue to monitor the release of further regulations by the Executive Power and the tax authorities.

Characteristics of the plan

The bill would allow taxpayers to settle their outstanding debts as of 31 July 2020, including national taxes, social security taxes (certain exceptions apply) and certain customs debts.

Individuals and corporations not considered small or medium-sized enterprises (MiPYMEs for the Spanish acronym) would not qualify for the settlement plan if they hold financial investments outside Argentina (e.g., deposits in non-Argentine bank accounts, ownership in any non-Argentine entities, trusts, common investment funds or any other investment in non-Argentine instruments). However, those individuals and corporations may qualify for the plan if they repatriate to Argentina 30% of the funds obtained from the sale of those investments within 60 days of entering into the plan. Tax liabilities subject to administrative or judicial procedures could also benefit from this regime.

The deadline to apply for the settlement plan would be 31 October 2020 and the first installment payment would be due on or after 16 November 2020 (depending on the taxpayer and the installment plan chosen).

Taxpayers could enter into an installment payment plan of up to 120 monthly payments. The monthly interest rate would be 2% for the first six months, and a variable interest rate (BADLAR rate in Argentine pesos for local private banks) would apply for the following months.

Taxpayers would receive the following benefits under the settlement plan:

- ▶ Exemption from fines and penalties on the outstanding debt to the extent they are not yet enforceable
- ▶ Total or partial exemption from compensatory and punitive interest
- ▶ 15% reduction of the outstanding tax debt when taxpayers pay the entire amount in cash at the time of entering into the plan
- ▶ Possible cancellation of the outstanding tax debt with freely available tax credits, refunds or reimbursements

If individuals and corporations not considered as MiPYMEs perform any of the following transactions within 24 months of the enactment date, the settlement plan will terminate, and the plan's benefits will be lost:

- ▶ Distribution of dividends
- ▶ Payment of interest, engineering fees, consulting fees, technical assistance or licenses to foreign related entities
- ▶ Sale of debt bonds in exchange for foreign currency or the transfer of debt bonds to foreign custodian entities
- ▶ Acquisition of foreign financial investments or transfer of Argentine financial investments (regardless of whether the taxpayer qualifies as a MiPYME)

Benefits for compliant taxpayers

Taxpayers that comply with the current tax obligations will have the following benefits:

- ▶ Exemption from six monthly installment payments for taxpayers included in the Simplified Regime for Small Taxpayers (Monotributo), up to a total limit of ARS17,500 (approx. US\$233) per taxpayer
- ▶ Special deduction of ARS25,983 (approx. US\$346) for individuals for one tax year (except for employees and retirees)
- ▶ Accelerated depreciation regime for investments made by MiPYMEs in certain fixed assets

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