

6 January 2021

Global Tax Alert

News from EY Americas Tax

Argentina issues decree on promotional regime for knowledge-based economy

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access information about the tool and registration [here](#).

EY Americas Tax

EY Americas Tax brings together the experience and perspectives of over 10,000 tax professionals across the region to help clients address administrative, legislative and regulatory opportunities and challenges in the 33 countries that comprise the Americas region of the global EY organization. Access more information [here](#).

On 21 December 2020, Argentina's Executive Power published, in the *Official Gazette*, Decree 1034/2020 (Decree 1034) to implement the provisions of the promotional tax system applicable to the knowledge-based economy. For more information on this regime, see EY Global Tax Alert, [Argentina amends promotional tax system for the knowledge-based economy](#), dated 29 October 2020.

Background

On 26 October 2020, Argentina enacted Law 27,570, which amended the promotional regime by imposing new requirements to qualify for the regime and modifying certain benefits. The regime's objective is to promote knowledge-based and digital activities in Argentina that result in the manufacturing of goods, the provision of services or the improvement of processes.

Decree 1034

Decree 1034 establishes that exports of services from companies participating in this regime will not be subject to export duties.

Requirements

Eligible companies must enroll in a special registry according to the terms and conditions to be established by the Application Authority, which will annually verify compliance with the requirements.

Under the decree, taxpayers must satisfy a main activity requirement to qualify for the regime. The main activity requirement is satisfied if, at the moment of registering for the regime, the taxpayer derived at least 70% of its revenues in the previous year from one or more of the promoted activities listed in the law.

The decree also establishes the mechanism for calculating the level of investment in research and development, and the level of employee retention, employee training and exports, among others.

Tax benefits

The decree clarifies that the special tax credit bond equal to 80% of the amount payable as Social Security contributions for certain groups of employees working in the promoted activities (e.g. women, postgraduates, disabled and others) only applies for the first 24 months of recruiting those employees.

For exporters to obtain the exemption from value-added tax withholdings and reverse withholdings, exporters must have performed at least one export in the three months before registering for the regime.

The decree clarifies that eligible companies may transfer the tax benefits to a different legal entity in a tax-free reorganization.

Fee

The decree establishes that companies participating in the promotional regime will have to pay a fee calculated on a percentage of the tax savings obtained from the regime, as follows: micro enterprises 1%, small and medium enterprises 2.5% and large enterprises 3.5%.

Implications

Companies doing business in Argentina and multinational groups interested in the Argentine market should evaluate the new promotional regime and assess the potential benefits to their operations and activities.

For additional information with respect to this Alert, please contact the following:

Pistrelli, Henry Martin & Asociados S.R.L., Buenos Aires

- ▶ Carlos Casanovas carlos.casanovas@ar.ey.com
- ▶ Gustavo Scravaglieri gustavo.scravaglieri@ar.ey.com
- ▶ Ariel Becher ariel.becher@ar.ey.com
- ▶ Pablo Baroffio pablo.baroffio@ar.ey.com
- ▶ Juan Ignacio Pernin juan.pernin@ar.ey.com

Ernst & Young LLP (United States), Latin American Business Center, New York

- ▶ Ana Mingramm ana.mingramm@ey.com
- ▶ Pablo Wejcman pablo.wejcman@ey.com
- ▶ Enrique Perez Grovas enrique.perezgrovas@ey.com

Ernst & Young Abogados, Latin American Business Center, Madrid

- ▶ Jaime Vargas jaime.vargas.c@es.ey.com

Ernst & Young LLP (United Kingdom), Latin American Business Center, London

- ▶ Lourdes Libreros lourdes.libreros@uk.ey.com

Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific

- ▶ Raul Moreno, *Tokyo* raul.moreno@jp.ey.com
- ▶ Luis Coronado, *Singapore* luis.coronado@sg.ey.com

About EY

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2021 EYGM Limited.
All Rights Reserved.

EYG no. 000118-21Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com