On 14 May 2018, Argentina published, in the Official Gazette, General Resolution No. 4240/2018 (GR. 4240), implementing the mechanism for the payment of Value Added Tax (VAT) on digital services provided by foreign entities and used in Argentina.¹ The provisions of GR. 4240 will be effective 27 June 2018.

Background

Under the comprehensive tax reform enacted through Law No. 27,432, VAT applies to digital services provided by foreign entities to Argentine-end consumers (B2C or business-to-consumer transactions). B2B (business-to-business) transactions were already subject to the tax (through a mechanism known as “import of services”).

The law contains a broad definition of digital services, including website services, streaming services, web services comprising data storage and online advertising, and software as a service.

Regulatory Decree No. 354/2018 established that the service recipient is the responsible party for reporting and paying the VAT. However, if resident intermediaries (e.g., credit card companies, banks) collect the payment for the services, they must act as collection agents for the VAT. The Decree authorized the Argentina tax authorities (AFIP) to prepare a list of digital service providers for whom the collection agents must collect the VAT.
General Resolution No. 4240/2018
GR. 4240 establishes the terms and conditions for VAT collection. Resident intermediaries that make payments abroad will be required to act as reverse withholding agents and remit the VAT (21%) to the AFIP. The payment of the tax will be made through the general withholding system known as SICORE. This general mechanism applies when the payments are directed to the foreign service providers included in Exhibit II, Section A to GR 4240.

Exhibit II, Section A includes over 150 names representing digital service providers. Different variations and combinations of those names also will be subject to the VAT reverse withholding.

Exhibit II, Section B includes around a dozen companies to which the VAT reverse withholding rule will apply to each payment of no more than US$10 (or equivalent in another currency) for services.

When a resident intermediary is not involved, the recipient of the services will be required to remit the VAT payment through electronic bank transfer to the AFIP by the last day of the month in which the payment to the foreign service provider is made.

The lists included in Exhibit II will be updated monthly. The AFIP will create a new information system under which the resident intermediaries will be required to assist in the identification of foreign providers of digital services.

Endnote
1. See EY Global Tax Alert, Argentina publishes new regulations on tax revaluation option and VAT on digital services, enacted as part of tax reform, dated 3 May 2018.
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