

# Global Tax Alert

News from Americas Tax Center

## Argentina enacts several laws with tax provisions

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On 4 December 2018, Argentina enacted several laws that include tax provisions. Specifically, through Law 27,467, the budget bill for 2019 was approved and, through Law 27,469, the tax consensus reached between the Federal Government and certain provincial governments was approved. Additionally, Law 27,468 modifies the inflation adjustment rules.

#### **Budget bill for year 2019**

Through Law 27,467, Argentina's federal budget bill for 2019 was approved. The Law includes changes to the tax rules.

The Law amends the Customs Code to allow for duties to be applied to the exportation of services. The Executive Power will be allowed to impose export duties of up to 30% on services until 31 December 2020. However, the maximum rate is 12% for goods that were not subject to export duties before 2 September 2018 (i.e., the date Argentina imposed new export duties on goods through a decree).

The Law also makes several changes to the value-added tax (VAT) treatment applicable to certain publishing, advertising and journalism activities. The Law allows companies engaged in TV and radio broadcasting, newspaper editing and other similar activities to use a portion of social security contributions as VAT credits.

In addition, the Law establishes a VAT exemption for construction activities related to community housing, under certain circumstances. The Law also reduces the VAT rate applicable to soy and soy by-products from 21% to 10.5%.

The Law establishes a temporary exemption from import duties and VAT for equipment imported for railway projects and investments, as well as for items imported by certain companies engaged in airport and aviation related activities, until 31 December 2019.

### **Inflation adjustment for income tax purposes**

Law 27,468 modifies the inflationary adjustment rules for income tax purposes. The new rules change the index used for purposes of measuring inflation, and also modify the parameters that need to be verified to trigger an adjustment.

Law 27,430 established the application of an integral inflation adjustment mechanism for tax years starting 1 January 2018, when the variation of the Internal Wholesale Price Index (in Spanish, *Índice de Precios Internos al por Mayor* or IPIM) supplied by the National Institute of Statistics and Censuses (in Spanish, *Instituto Nacional de Estadística y Censos* or INDEC), was higher than 100% for the 36-month period before the end of the tax period. For the first and second tax years, the index had to exceed 1/3 and 2/3 respectively.

Law 27,468 establishes that the inflation adjustment for tax purposes will now be based on the Consumer Price Index (in Spanish, *Índice de Precios al Consumidor nivel general* or IPC), and an adjustment will only be triggered for tax years 2018, 2019 and 2020 if the index exceeds 55%, 30% and 15% respectively. In practical terms, this implies that the inflation adjustment will not apply to 2018 because the index is not expected to exceed 55%. Under the prior calculation mechanism provided in Law 27,430, the inflation adjustment would have been triggered for 2018.

In addition, Law 27,468 states that the resulting negative or positive inflation adjustment, corresponding to the first, second or third tax year beginning 1 January 2018, must be allocated 1/3 to the tax year for which the adjustment is calculated and the remaining 2/3, in equal parts, to the following two tax years.

### **Tax Consensus between the Federal Government and provincial governments**

Through Law 27,469, the agreement reached between the Federal Government and many provincial governments on certain tax matters was approved. The agreement still has to be ratified at the provincial level. The agreement would postpone reduction of the provincial stamp tax for one year, thus delaying the elimination of the tax.

Companies doing business in Argentina should review the effects of the new tax rules on their operations and activities.

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