

5 September 2019

Global Tax Alert

News from Americas Tax

Argentina implements foreign exchange control regulations

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Executive summary

On 1 September 2019, the BCRA (Central Bank of Argentina; *Banco Central de la República Argentina* in Spanish) issued Communiqué A 6,770, which establishes various rules for exports of goods and services, imports of goods and services, foreign assets, nonresident operations, financial debt, debts between residents, profits and dividends, and information systems. The Communiqué responds to the publication of Argentina's Decree 609/2019 (the Decree) in the *Official Gazette*. The Decree implements foreign exchange regulations, which will be in effect until 31 December 2019. The Decree establishes the obligation to convert into Argentine pesos (ARS) in the local financial system, the value of goods and services exported, in accordance with the conditions and terms to be established by the BCRA.

The Decree also clarifies that the BCRA is authorized to establish regulations to prevent practices and operations that seek to circumvent the foreign exchange provisions through the use of public securities or other instruments.

Detailed discussion

Exports of goods

For operations with related parties and/or exports of certain goods, the Communique establishes that exporters have 15 days, counted from the time the export takes place, to enter and settle the proceeds from the exports (i.e., convert the proceeds from the exports into Argentine pesos) in the foreign exchange market. For other transactions, exporters have 180 days, counted from the export date, to enter and settle the proceeds from the exports. Regardless of those deadlines, an exporter that collects the proceeds from an export before 15 days or 180 days must enter and settle the foreign currencies within five business days from the collection date. These rules apply to exports registered from 2 September 2019.

For proceeds of exports registered before 2 September 2019, that are pending collection, as well as advances for exports and pre-financing of exports, the exporter must enter and settle those proceeds within five business days from the collection or disbursement of the funds abroad or in Argentina.

Exports of services

The Communique requires exporters to enter and settle in the local market the foreign currency resulting from their exports of services within five business days from the collection in the country or abroad, or the deposit of the amounts in foreign bank accounts.

Imports of goods and services

The Communique requires a prior authorization from the BCRA for the pre-cancellation of debts corresponding to imports of goods and services. For overdue or on-demand debts for the importation of goods with related companies abroad, the importer must request authorization from the BCRA if the debts exceed US\$2 million per month. A BCRA authorization also is required for payments of services with related parties abroad.

Foreign assets

Prior authorization from the BCRA is required for the “constitution of foreign assets” (e.g., purchase of foreign currency, among others) by legal entities, local governments, mutual funds, trusts and other vehicles. Additionally, individuals must request authorization from the BCRA

for the “constitution of foreign assets,” family aid and the granting of guarantees in derivative transactions, when those items exceed US\$10,000 in the calendar month.

Nonresident operations

Nonresidents must obtain prior authorization from the BCRA to access the foreign exchange market for amounts greater than US\$1,000 per month.

Financial debts

Borrowers must enter and settle in the foreign exchange market new financial debts from abroad that are disbursed from 1 September 2019. Compliance with this requirement must be proved to access the foreign exchange market and cancel the principal and interest.

Debts between residents

The Communique prohibits access to the exchange market for the payment of debts and other obligations in foreign currency between residents if the debts and other obligations were agreed to as of 1 September 2019. If the debts had been implemented by means of public records or deeds as of 30 August 2019, access to the foreign exchange market will be granted upon maturity.

Profits and dividends

The Communique requires companies to obtain prior authorization from the BCRA before transferring profits and dividends abroad.

Information system

In all cases, access to the foreign exchange market for the payment of financial or commercial debts will be granted to the extent that such debts were declared in accordance with the BCRA’s Information Regime established through Communication “A” 6401. Companies should therefore review the proper compliance with this information regime to ensure the required conditions to access the foreign exchange market are met.

Implications

Companies doing business in Argentina and multinational groups interested in the Argentine market should evaluate these temporary foreign exchange regulations and monitor the developments related to the foreign exchange market.

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EYG no. 001060-19GbI

1508-1600216 NY
ED None

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