



Doing Business in Argentina

By: Peter Raymond, P.F. Raymond Inc.

Argentina at a Glance

Located in the southernmost point in South America, Argentina is the eighth largest country in the world, as measured by surface area, and the second largest country in South America. The land mass is 2.8 million square kilometers on the continent with an additional 966 square kilometers on the arctic continent. The country's location gives it access to the South Pacific, and the south Atlantic Ocean through the Magellan Straits, providing direct access to the regional population of 236 million, in addition to the country's own population of 40.5 million.

Due to the expanse of its topography and the diversity of Argentina it has a large range of climates and landscapes, ranging from mountains and plains to jungles and deserts. Its plains cover ice fields, plateaus and forests, which provide the country with the ability to deliver a variety of goods to be exported, not the least of which are agricultural.

The official name for the country is the Republic of Argentina, which is made up of twenty-three provinces and an autonomous city of Buenos Aires, which is not considered a province. It is a democratic country guaranteeing civil liberties and human rights. The government is based on a division of powers, executive, legislative, and judicial. The President is elected for a term of four years, with the Vice President serving as the chairperson of the Senate. The country enjoys political stability and welcomes and encourages foreign investments. Stability in the government safeguard civil liberties, and their legal system, which is an independent entity, which contributes to their growth and for innovations.

The population of 40.5 million has a literacy rate of ninety eight percent. Spanish is the official language, although many people speak English. The secondary languages are both French and Portuguese, with a growing interest in Chinese and Arabic. There are no official religions in Argentina, although the majority of the population is Roman Catholic. Albeit there is a long tradition of religious diversity in the country, with freedom of religion being supported by the constitution.

Additionally, education from elementary school to high school is compulsory and free of charge and it is the leading country in Latin America of students who enter higher education. The country's numbers of graduates and postgraduates grow annually. Argentina has 107 universities with a strong emphasis on science and technology. Some 95,000 graduates of

tertiary institutions and 7600 postgraduates from all over the country enter the job market each year.

Argentina is a full member of the Southern Common Market (MERCOSUR) along with Brazil, Paraguay, and Uruguay, with Chile and Bolivia as associate members. The members negotiate trade agreements jointly with country's all over the world, along with free trade agreements with both Israel and Egypt.

Preparing to do Business in Argentina

Typically setting up a business in Argentina is divided into categories much like other countries with strong financial infrastructures.

Doing Business in Argentina

Corporations

The required procedures for setting up a corporation consist of an inaugural meeting of shareholders which draft statutes of the company, shareholders noted, directors elected, and the capital is subscribed and paid.

Limited Liability Partnerships (SRLs)

Formation only requires the formation and execution of a partnership contract deed, publication of the document in "Boletin Oficial" and registry in the Public Registry of Commerce. The capital amount must be stated and fully subscribed to, of which twenty five percent must be paid at the time of the partnership with the balance to be paid over the next two years.

Limited Partnership

Formation can take two forms:

- "Sociedad En Comandita Por Acciones" must execute its deed publicly before a notary, and the capital is divided into equal shares, but the shares may not be issued.
- Formation "Sociedad En Comandita Simple" the deed may be executed privately. In both, any amendments must be published in "Boletin Oficial"

In addition to the above, a branch of a foreign corporation may be formed by following the rules of the "Corporations", in addition to having copies of the corporation's charter, minutes of pertinent meetings, certifications of good standing, and the power of authorizing the applicant to represent the corporation. Essentially the rules are very similar to the US in terms of accounting, liabilities, and results of the operations. Annual financial statements and supplementary information is required to be publicly and officially filed with the Public Registry of Commerce.

Taxes

Based upon the type of company, revenue and residency of the company, there are taxes to be considered. However, a net rate of 35% tax is applied to all types of corporations. As a general rule, expenses necessary to generate, maintain and preserve taxable items related to the company's income are usually tax deductible, with few exceptions to the extent that they are fair and reasonable. Prior to deciding to do business in Argentina, a professional evaluation of the potential tax structure should be investigated in detail. Filings, payments, and withholding procedures must be in place at the start of the business' operations. Consideration must be given to withholding taxes, minimum national income tax, payroll taxes, and of course the tax rate for each category of tax.

In addition to the afore-mentioned, Argentina has a Value Added Tax (VAT) accessible on all the sales of products, (i.e., raw materials, produce, finished or partly finished goods, and on most services both professional and personal services not derived from employment). This general tax is 21% although specific items are subject to 10.5% and 27%, as they are fair and reasonable. Again, prior to deciding to do business in Argentina, a professional evaluation is highly recommended.

The Argentinian Work Force

Is highly qualified and labor laws safeguard the rights of workers. Several laws have been put in place that reduce unemployment levels, encourage training programs, and have improved working conditions and hours. The government has taken many steps to ensure a qualified workforce and additionally has enacted rules and promotes the hiring of women. Some of the rules have put payments of wages for sick time in place along with differential pay rates for overtime and relatively dangerous work. In short, the labor laws were completely rewritten in the period from 1990 to 1996 to protect workers and provide benefits, which has led to a stable workforce.

Some of the policies that have been put in place are:

- Wages and salary minimums.
- Regulated work hours, eight hours per day and forty-eight hours per week.
- Equal opportunities
- Health and safety requirements
- Severance indemnity for termination of employment
- Overtime for non-management work

Foreigners in Argentina enjoy the civil rights common to all citizens. They may carry out their industry, trade, or profession, own, purchase or sell real estate, navigate rivers and coastal waters, freely practice their religions, make wills, and marry in accordance with the laws. They are not obligated to become citizens, nor make extraordinary contributions. They may become

a citizen by residing in Argentina for two years, although authorities can reduce that time based on the person's contribution to the republic.

Argentina has become a very, focused country in the last twenty years. With a rising GDP, stable government, educated workforce, natural resources, and a communications and transportation system the country has attracted substantial amounts of foreign investments. Because of trade, a developing manufacturing segment of the economy, and exportation capabilities the country is poised to become a major factor in the world's marketplace. Its many ports, natural resources and agricultural production is making the country a formidable player in many markets where they previously were unable to compete. The country has made, and is continuing to make, major investments in technology, education and assistance to any company that is considering a base or residence in Argentina. It has made investments in science, technology, engineering, and mathematics (STEM), medical availability, housing, and infrastructure such as energy, transportation, and technology to ensure their growth in years to come. Additionally, the country has invested in libraries, entertainment venues, and hosts major teams at tennis, and baseball. Restaurant and nightlife abound along with parks, recreational activities and locations for the populace and tourist alike.

###

Peter Raymond has been doing business in South America for the last 25 years. He is an expert in fire systems, business strategy, business marketing, private investigations, and consulting. To reach Peter you may contact him at rpeter5@aol.com

Or, contact the Life Safety Alliance at info@lifesafetyalliance.org.

To learn more about the LSA, visit www.lifesafetyalliance.org

Sources:

HSBS International Business Guide Argentina 2020

Banco Central De la Republica Argentina 2020

Atlas de Suelos de La República Argentina 1995

Secretary of International Trade and Economic Relations Office of the Ambassador 2021