



Oil and gas taxation in Argentina

Deloitte taxation and investment guide

June, 2019

1.0 Summary	3
2.0 Regulatory regime	4
2.1 Overview	4
2.2 Aspects of concessions	4
2.2.1 Exploration permits	4
2.2.2. Exploitation concessions	4
2.3. Fiscal stabilisation	5
2.4. National oil company equity interest and carry	5
2.5. Relevant government departments: Roles and responsibilities	5
3.0. Bonuses, royalties on production, and surface fees	6
3.1 Bonuses	6
3.2 Royalties on production	6
3.3 Surface fees	6
4.0. Corporate income tax	7
4.1 Rates	7
4.2 Basis for calculating taxable income	7
4.3 Deductions and depreciation allowances	7
4.3.1 Exploration phase	8
4.3.2 Capital allowances	8
4.3.3 Other relevant matters	8
4.4 Decommissioning and site restoration costs	9
4.5 Losses	9
4.6 Ring fencing	9
4.7 Taxation of branches and permanent establishments	9
4.8 Minimum income tax	9
4.9 Payment to related parties	10
4.9.1 Transfer pricing	10
4.9.2 Interest deductibility and thin capitalization	11
5.0 Additional profits based on other special taxes for oil and gas extraction	12
6.0 Withholding taxes	13
6.1 Payments for goods and services	13
6.2 Dividends	13
6.3 Interest	13
6.4 Rents and royalties	13
6.5 Tax treaties	14
7.0 Payroll taxes and employee taxation	15
7.1 Payroll taxes	15
7.2 Employee taxation	15
7.2.1 Taxable income	15
7.2.2 Deductions and reliefs	15
8.0 Indirect taxes	17

8.1 Value added tax	177
8.2 Turnover Tax	17
8.3 Customs duties and other import taxes and levies	17
8.4 Export taxes, duties, and levies	18
9.0 State, provincial, and other local taxes	19
9.1 Real estate tax	19
9.2 Municipal assessments	19
10.0 Financial transactions tax	20
11.0 Stamp tax	21
12.0 Net wealth tax	21
13.0 Other taxes	21
14.0 Tax incentives and exemptions	22
14.1 Benefits included in Decree No. 929/2013	22
14.2 Non-conventional gas production stimulus plan	22
14.3 Reimbursement of excess input VAT	23
15.0 Tax treatment of transactions	24
15.1 Acquisitions and disposal of shares and other equity interests	24
15.2 Asset transfers	24
15.3 Farm-outs and development carries	24
16.0 Other issues	25
16.1 Tax compliance and reporting requirements	25
16.2 Anti-avoidance legislation	25
16.2.1 General anti-avoidance rule	25
16.2.2 BEPS	25
16.2.3 Controlled foreign companies (CFC)	25
16.3 Choice of business entity	26
16.4 Entity registration and licensing	26
16.5 Issues for unincorporated joint ventures	26
16.6 Foreign exchange control regime	27
16.7 Foreign currency	27
17.0 Special rules for oilfield service companies and other subcontractors	28
18.0 Contacts	29

1.0 Summary

Type of fiscal regime	Tax and royalty regime
Royalty rates	12 percent-15 percent
State share of production	N/A
Corporate income tax	30 percent for the two fiscal years beginning 1 January 2018, reducing to 25 percent for subsequent periods. The rate remains 35 percent for fiscal years in progress as of 1 January 2018.
Minimum presumed income tax	One percent (repealed as from 1 January 2019)
Branch profits tax	30 percent for the two fiscal years beginning 1 January 2018, reducing to 25 percent for subsequent periods. The rate remains 35 percent for fiscal years in progress as of 1 January 2018.
Dividend withholding tax (WHT)	Seven percent on dividend distributions from income generated for the two fiscal years beginning 1 January 2018, increasing to 13 percent* for subsequent periods. For dividend distributions from income generated for fiscal years in progress as of 1 January 2018 (or previous years), WHT tax applies only if the dividends exceed the payer company's accumulated taxable income, after certain adjustments. If applicable, the rate of the WHT is 35 percent.*
Interest WHT	Zero percent , 15.05 percent or 35 percent*
VAT	21 percent (10.5 percent and 27 percent for specific activities)
Tax on debits and credits in bank accounts	1.2 percent (33 percent creditable against income tax)
Net wealth tax	Zero percent - 0.25 percent
Turnover tax	3 percent in general for upstream, up to 3.5 percent in general for downstream.
Stamp tax	1 percent to two percent in general

* Subject to any reductions under applicable double tax agreements and domestic law exemptions.

2.0 Regulatory regime

2.1 Overview

The Argentine oil and gas industry is regulated by Law No. 17,319, referred to as the "Hydrocarbons Law," which was enacted in 1967 and amended by Law No. 26,197 enacted in 2007 and by Law No. 27,007 enacted in 2014. This law, as amended, establishes the general legal framework for the exploration and production of oil and gas.

The oil and gas industry was declared of national public interest and a priority for Argentina under Law No. 17,319. The Hydrocarbons Law empowered the Argentine government to set the national energy policy to develop reserves and resources with the main objective to satisfy domestic demand.

The provincial governments and the city of Buenos Aires own the hydrocarbon reserves located within their territories and in the adjacent seas up to 12 nautical miles from the coast. Reservoirs located beyond 12 nautical miles to the outer limit of the continental shelf remain within the ownership of the federal government.

The provinces, city of Buenos Aires, and the federal government grant exploration permits to find reserves and exploitation concessions to develop reserves, respectively.

2.2 Aspects of concessions

2.2.1 Exploration permits

Exploration, unconventional hydrocarbons permits, and offshore permits will last up to eight years (this period is divided into two sub-periods of four years) with the possibility of requesting an extension for an additional five years.

In the case of exploration of conventional hydrocarbons, the permits will last up to six years (this period is divided into two sub-periods of three years), with the possibility of requesting an extension for an additional five years.

At the time of requesting the five-year extension, the exploration permit holder will have to give back 50 percent of the area or field acreage to the province.

Exploration permits cannot exceed 100 units, the value of each unit being 100 square kilometers. If the holder of an exploration permit discovers hydrocarbons and requests an exploitation concession during the eighth or sixth year period, the remaining period of the permit that is not used will be added to the exploitation concession period described below.

2.2.2. Exploitation concessions

The Hydrocarbons Law provides an unconventional exploitation concession for a 35-year period with the possibility of requesting a 10 year extension.

Conventional exploitation concessions have a 25 year term, while offshore concessions have a 30 year term. In both cases, current and future concessionaires can request extensions of 10 years.

Current exploration permit or exploitation concession holders of conventional fields may request a new unconventional concession by dividing their current fields or through unitization with adjacent unconventional fields belonging to the same holder. The concession holder must file a pilot plan with the relevant regulatory authority to develop the unconventional resources before being granted unconventional concession rights.

Exploitation concessions cannot exceed 250 square kilometers.

2.3. Fiscal stabilization

There is no fiscal stabilization at the federal level. The Province of Neuquén has created a promotional regime that grants stamp tax reductions and fiscal stability in certain cases.

2.4. National oil company equity interest and carry

There is no specific taxation related to national oil companies' equity interest and carry.

2.5. Relevant government departments: Roles and responsibilities

Pursuant to Law No. 26,197, the Congress is responsible for enacting laws and regulations to develop oil and gas resources existing within the Argentine territory (including its sea), but the governments of the provinces where the hydrocarbon reservoirs are located are responsible for the enforcement of these laws and regulations and the administration of the hydrocarbon fields, and act as the granting authorities for exploration permits and production concessions.

The administrative powers granted to the provinces are exercised within the framework of the Hydrocarbons Law and accompanying regulations.

Consequently, even though Law No. 26,197 established that the provinces are responsible for administering hydrocarbon fields, the Congress retained its power to issue rules and regulations regarding the oil and gas legal framework. Additionally, the Argentine Republic retained the power to determine the national energy policy.

The Government Secretary of Energy (GSE) is responsible for issuing regulations to complement the Hydrocarbons Law and for executing the energy policy.

The Federal Administration of Public Revenue (AFIP) is responsible for the levy and collection of federal taxes and reports to the Ministry of Economy and Public Finance.

Taxes at the provincial level are collected and administered by the provincial revenue agencies working under the relevant provincial ministries of economy.

3.0. Bonuses, royalties on production, and surface fees

3.1 Bonuses

Not applicable

3.2 Royalties on production

According to the Hydrocarbons Law, holders of production concessions are required to pay royalties to the province where production occurs. A 12 percent royalty is payable on the value at the wellhead of crude oil production and natural gas.

The value is calculated based on the volume and the sale price of the crude oil and gas produced, less the costs of transportation and storage and specific deductions. In addition, if a concession holder allots crude oil production for further processing at its plants, the concession holder is required to agree with the provincial authorities or the Secretariat of Energy, as applicable, on the reference price to be used for purposes of calculating royalties.

Any oil and gas produced by the holder of an exploration permit prior to the grant of a production concession is subject to a 15 percent royalty.

Provinces can reduce royalties by up to five percent depending on the production conditions (location of wells, productivity, etc.).

In case of future extensions of exploitation concessions (either unconventional or conventional), the provincial government may establish an additional three percent royalty for each extension period, up to a maximum total of 18 percent.

Holders of exploitation concessions of areas with extra-heavy oil (API < 16), offshore operations, or with tertiary recovery can request from the province a 50 percent reduction in royalties.

3.3 Surface fees

Pursuant to the Hydrocarbons Law, holders of exploration permits and production concessions must pay an annual surface fee to the provinces, which is based on the acreage of each block and is dependent on the phase of the operation, i.e., exploration or production. In the case of the former, the surface fee also is dependent on the relevant period of the exploration permit.

4.0. Corporate income tax

4.1 Rates

Argentine tax residents are subject to tax on worldwide income, with a tax credit granted for tax paid abroad on foreign income. Corporations, limited liability companies, and branches generally are taxed in the same way.

The corporate income tax rate is 30 percent (reduced from 35 percent) for the two fiscal years beginning 1 January 2018, reducing to 25 percent for subsequent periods. The rate remains 35 percent for fiscal years in progress as of 1 January 2018 and there is no special tax regime for oil and gas companies.

4.2 Basis for calculating taxable income

Taxable income is the difference between income or gains derived by the taxpayer and the expenses incurred to obtain the income and keep and retain its source. All income and gains are subject to corporate income tax, unless specifically exempted. There are no relevant exemptions for oil and gas companies.

Dividends received by an Argentine company from another Argentine company are exempt from income tax. Dividends received from a foreign company are subject to tax. A credit is granted for the underlying corporate tax paid on the profit, out of which the dividends are paid as well as a credit for any withholding tax suffered on the dividends.

The income tax law does not contain a specific regime or provisions particularly applicable for the oil and gas business.

Joint ventures are not income taxpayers and no ring fencing applies for income tax purposes.

4.3 Deductions and depreciation allowances

All expenses incurred in obtaining and preserving taxable income may be deducted. In addition to regular business expenses, deductible items include taxes paid (except for income tax and net wealth tax), arm's length payments made to foreign affiliates, directors' fees, employee salaries, and donations of up to a maximum of five percent of taxable income. Interest payments may be deducted unless the thin capitalization rules apply, and the deduction of trademark and patent payments to foreign beneficiaries is limited to 80 percent of the total amount paid. Other limits on certain expenses exist (vehicles, entertainment, etc.). All deductions are subject to review by the tax authorities.

Accruals for contingencies and general reserves are not deductible.

The valuation of assets and liabilities denominated in foreign currency must be performed by applying the exchange rate as of the fiscal year end.

The deduction of expenses and interest generally are recognized on an accruals basis. However, when the expense or interest to be deducted is taxable income for a foreign related entity located in a low or nil tax jurisdiction or in a "noncooperative jurisdiction," the deduction can be considered in the year of accrual if it is paid before the income tax return due date. Otherwise, the expense or interest will be deducted in the year of payment.

4.3.1 Exploration phase

Even though there are no specific regulations dealing with oil and gas companies, under reasonable interpretation and general guidance provided by the tax authorities, expenses incurred before the drilling of exploratory wells (including seismic, geophysical, and other feasibility studies) and the investments related to such wells should be capitalized for tax purposes and may be amortized once the production of the field or assets commences or written off upon returning or abandoning the area. This implies that these expenses should be identified and segregated in respect of the specific field to which they relate as their subsequent treatment will depend on the development of each area.

4.3.2 Capital allowances

The capital allowances (i.e., tax depreciation) rules that apply to all Argentine companies also apply to companies operating in the upstream and downstream oil and gas sector. Once production has commenced, as provided by law, capitalized investment expenditure may be deductible by way of depreciation. The general method for depreciating investments in oil and gas areas is the unit of production method. Argentine law does not specify the reserves to be considered, so an analysis must be made depending on the nature of the investment.

Depreciable movable property, such as downstream facilities, furniture, automobiles, etc., may be depreciated under the straight-line method based on the estimated useful life of the asset.

In the case of real estate property (offices, etc.), the useful life of assets as estimated by law is 50 years.

Interest and foreign exchange differences are not capitalized.

4.3.3 Other relevant matters

Adjustment for inflation has been introduced for tax purposes for investments in fixed assets, intangibles, and shares among other assets, for investments made as of the fiscal years beginning 1 January 2018.

Investments and other disbursements are booked for tax purposes at their value in Argentine pesos at the relevant date. Regulations do not provide for the adoption of a functional currency other than the Argentine peso to calculate taxes.

General adjustment by inflation for tax purposes has been re-introduced only if the Consumer Price Index is higher than 55 percent, 30 percent and 15 percent for the first, second and third fiscal year respectively beginning after 1 January 2018.

4.4 Decommissioning and site restoration costs

Effective 1 January 2018, the income tax law includes a provision that states that costs seeking to meet technical and environmental requirements in charge of the concessionaire and/or permit holder, (required by applicable regulations issued by the competent enforcement authority) are part of tax value of mines and similar assets and can be amortised as part of the value of the investment. Such costs should be included as of the time the technical and environmental obligations arise under applicable regulations, irrespective of the period in which disbursements are made.

Further regulations on the matter are expected.

4.5 Losses

Operating losses incurred in one year may be deducted from future taxable income in the five subsequent years. There are specific types of carried forward expenditure that may be deducted only from future specific taxable income (e.g., shares and other securities transactions and derivatives, excluding hedging).

Foreign-source losses can be offset only by foreign-source income.

The carryback of losses to prior periods is not permitted.

4.6 Ring fencing

There are no ring fencing provisions for income tax purposes.

4.7 Taxation of branches and permanent establishments

The taxation of branches and permanent establishments is similar to that of resident companies. A withholding tax of seven percent applies to profits distributed by a branch to its head office, increasing to 13% for profits connected with income obtained in fiscal years starting January 1st, 2020 (see 6.2 below).

4.8 Minimum income tax

An annual tax on minimum presumed income is applied at a rate of one percent on the assets of Argentine tax residents, including shareholdings in foreign companies (but not Argentine-resident companies).

Investments in fixed assets are not taxable in the year of investment or the subsequent year.

The minimum tax is imposed only where its amount exceeds the taxpayer's actual income tax liability. Any minimum tax payable is creditable against the excess of income tax over minimum tax in the following 10 years.

The tax has been repealed for fiscal years beginning 1 January 2019.

4.9 Payment to related parties

4.9.1 Transfer pricing

All local companies involved in any kind of transaction (including sales of goods, provision of services, the payment of interest or royalties, etc.) with a related party located in another jurisdiction or an entity located in a low or nil tax jurisdiction or a noncooperative jurisdiction (even if the company is unrelated) are subject to the transfer pricing rules

These rules generally follow the OECD transfer pricing guidelines and thus, require related party transactions must be made on an arm's length basis. An annual transfer pricing study, including a Chartered Public Accountant's (CPA) certification, must be prepared and filed with the tax authorities at the beginning of the eighth month after the fiscal year end. Information tax returns must be filed biannually that must include the following information: details of transactions (type of transaction, amount, foreign entity, etc.); transfer pricing method used for the analysis; and the conclusion of the transfer pricing analysis (detailing if an adjustment applied). For fiscal years beginning 1 January 2018 onwards, there is a low threshold to submit transfer pricing documentation to tax authorities.

The transfer pricing study should include information on the local company (description of functions, risks, and assets), its economic group, details of the transactions subject to the transfer pricing tests, and the method used to test the transactions, together with the comparables utilized and the conclusions. New methodologies have been introduced, such as the Residual Profit Split and other methods that could be used to test specific transactions such as the transfer of intangible assets or specific financial assets lacking of comparable transactions.

In transactions that involve the import and export of goods (non-commodities) and include the intervention of an international intermediary, the local company will have to prove¹ that the income received by the intermediary is in accordance with the assets, functions, and risks assumed by the intermediary. This rule applies where: the international intermediary is related to the local company and where the exporter in origin or the importer at destination are related to the Argentine company. . In case the intermediary obtains a remuneration that exceeds what would be considered appropriate in relation to the functions performed, risks borne and assets used, the surplus would be deemed to be as taxable Argentine source income. The documentation process related to the intermediary results is still pending to be regulated.

In addition, for transactions that involve the export of commodities² through an international intermediary, when any of the above conditions apply, or if the international intermediary is located in a low or nil tax jurisdiction or a noncooperative jurisdiction, the Argentine company will have to register the commercial agreements related to the export of commodities transactions in accordance with the requirements set by regulations (still to be issued).

The agreements will have to disclose information, such as significant differences to the market quotation and elements taken into consideration when calculating the discounts or premium, etc. If the Argentine company fails to register the agreements, the price to take into account to calculate

¹ In accordance with the requirements set by regulations (still pending).

² Assets with well-known prices in transparent markets.

the Argentine-source income will be the price published on a transparent market on the date the goods are shipped (bill of lading date), including any comparability adjustments.

Argentina taxpayers will have not only to submit the local transfer pricing report, but also a master file that should provide a global vision related to the multinational group in which the Argentinean company operates. Additionally a CBC report should be filed in Argentina as long as certain specific conditions are met. A CBC notification form must be submitted annually.

4.9.2 Interest deductibility and thin capitalization

In general, Argentinian income tax regulations allow the deduction of foreign exchange differences and interest related to taxable income.

The deduction is made on an accruals basis, except for interest paid to related parties or entities resident in low or nil tax jurisdictions or noncooperative jurisdictions, which may be deducted on an accruals basis only if it is paid before the income tax return is filed.

Argentina has introduced a thin capitalization rule, under which the deduction of interest and foreign exchange losses on financial loans with related (domestic and foreign) companies is limited to the higher of: (1) 30 percent of the taxable base before the deduction of interest, and amortization; or (2) an amount determined by the executive branch. Certain exceptions apply for specific activities and in the case of highly leveraged economic groups. There is a five-year carryforward for excess interest/foreign exchange losses not deducted and a three-year carryforward for any portion of the limitation that is not utilized.

Interest paid for financial debts and subject to taxation for beneficiaries either local or foreign residents, are excluded from the limitation if certain conditions are met.

In the case of local lenders, exchange differences subject to taxation could be also excluded from the limitation.

5.0 Additional profits based on other special taxes for oil and gas extraction

There are no other additional profits based on other special taxes for oil and gas extraction.

6.0 Withholding taxes

6.1 Payments for goods and services

Payments for importation of goods are not subject to income tax withholding. Services in general are subject to withholding if they are rendered in Argentina or, if rendered from abroad, they include advisory or technical assistance. Further details are in 6.4 below.

6.2 Dividends

A WHT on dividends and other profits from limited liability companies or branches paid to resident individuals and nonresidents was introduced by the tax reform approved in December 2017. The rate is seven percent on dividend and other distributions from income generated for the two fiscal years beginning 1 January 2018, increasing to 13 percent for subsequent periods. For dividend distributions from income generated for fiscal years in progress as of 1 January 2018 (or previous years), WHT applies only if the dividends exceed the payer company's accumulated taxable income, after certain adjustments. If applicable, the rate of the WHT is 35 percent.

A 10 percent WHT was applied during the period 23 September 2013 to 22 July 2016.

The WHT rates can be reduced under applicable tax treaties.

6.3 Interest

The general 35 percent WHT is reduced to 15.05 percent if:

- The borrower is a financial institution;
- The lender is a bank or financial institution not located in a low or nil tax jurisdiction (see 16.2.3 for further information);
- The interest relates to certain bonds that are registered in countries that have concluded an investment protection agreement with Argentina; or
- The transaction involves the financing by a seller of depreciable movable property.

Certain publicbonds may provide for a 0% rate.

6.4 Rents and royalties

Patent royalties and fees for technical assistance, engineering, or consulting services paid to a nonresident are subject to a final WHT of 35 percent on a prescribed percentage of the gross payment, which varies depending on the type of payment.

Patent royalties and technical assistance, engineering, and consulting services fees obtainable in the country and paid to a nonresident are subject to a final WHT of 28 percent of the gross payment if the agreement under which the royalties and fees are paid is registered with the National Institute of Industrial Technology (INTI).

Fees for technical assistance, engineering, or consulting services paid to a nonresident registered with the INPI (formerly known as INTI) and not obtainable in the country are subject to a final WHT of 21 percent of the gross payment.

If the agreements under which the royalties and fees are paid do not fall within the transfer of technology law or are not registered, the final WHT is 31.5 percent.

Rent payments made for movable property are subject to a 14 percent WHT.

6.5 Tax treaties

Argentina has 20 tax treaties that provide for a reduction in the rate of WHT in many cases.

Argentina signed the OECD multilateral instrument on 7 June 2017.

7.0 Payroll taxes and employee taxation

7.1 Payroll taxes

Both the employer and the employee must make social security and health care scheme payments.

As of 2019, the employer must pay between 24 percent and 26.4 percent of the employee's salary, depending on the activity and size of the company (before 2018, the contributions were between 23 percent and 27 percent of salary). For upstream activities, the applicable rate generally is 24 percent. A progressive change in the rates will continue until 2022, when the rate will be set at 25.5 percent for all employers. In certain provinces, part of the employer's social security payment is creditable against VAT. The creditable amount will decrease until 2022, when it will be eliminated. Additionally, a minimum amount per employee not subject to social security contributions has been introduced.

An employee is subject to a 17 percent social security and health care contribution, up to a certain amount of salary, that is withheld by the employer. An individual carrying on an independent profession must make his/her own monthly contribution of a fixed amount.

7.2 Employee taxation

Argentine residents pay tax on their worldwide income; nonresidents pay tax only on their Argentine-source income.

7.2.1 Taxable income

Employment income, including most employment benefits, is taxable. Certain compensations for upstream workers can be exempt up to an amount equal to 25 percent of the total compensation. Foreign individuals with an employment contract for up to five years are taxed only on Argentine-source income, provided the individual holds a temporary visa.

7.2.2 Deductions and reliefs

A number of personal allowances may be deducted in computing taxable income (e.g., a special employee deduction, an additional deduction for a spouse or child, etc.), but certain requirements must be met. Subject to restrictions, deductions are granted for, among other things, medical expenses, medicare, certain donations, mortgage interest, retirement annuities, and the cost of domestic help.

7.2.3 Rates

Rates are progressive, ranging from five percent to 35 percent. In addition, professionals working in the country for no more than six months during the year are subject to a single and final income tax withholding of 24.5 percent.

Argentine-source financial income (e.g., interest income) is subject to tax at a rate of five percent (applicable to assets denominated in local currency

with no adjustment clause) or 15 percent (applicable to assets denominated in local currency with an adjustment clause or assets denominated in foreign currency). Dividends and other profits distributed by Argentine entities are subject to a seven percent tax when paid from profits derived by the company in the two fiscal years beginning as from 1 January 2018, increasing to 13 percent for subsequent periods.

Gains derived by an Argentine resident individual from the sale of shares, bonds and other securities denominated in local currency with no adjustment clause are subject to a five percent tax on the gain. For securities denominated in local currency with an adjustment clause or those denominated in foreign currency, the rate is 15 percent on the gain (the adjustment clause impact or foreign exchange difference is not taxable). In certain cases, adjustment of the cost of acquisition for inflation is allowed. Shares listed on a local authorized stock exchange or authorized for public offering are exempt.

Sale of real estate acquired after 1 January 2018 is subject to a 15 percent tax. The acquisition cost may be adjusted for inflation. Residential property that a home where the taxpayer lives on a permanent basis is exempt from taxation.

8.0 Indirect taxes

8.1 Value added tax

VAT is levied on the sale of movable property located in, or placed within, Argentina, and construction, and other contracts and services performed or rendered within the country. It is also levied on the import of movable property, services rendered abroad but used in connection with economic activities in Argentina, and certain digital services performed by non-residents.

The general VAT rate is 21 percent, although a higher rate of 27 percent applies to some services, such as the supply of certain communications services, power, natural gas, and water. A reduced rate of 10.5 percent applies to capital goods and other specific items. Exports of goods and services are zero-rated and a refund of credits related to exports can be requested.

The December 2017 tax reform also introduced the possibility to request an advance refund of VAT credits related to the acquisition or construction of capital goods that were not used during a six-month period after the credits arose. Such refunds must be returned to the tax authorities if not enough output VAT was generated during the following 60 months.

VAT credits can only be offset against future VAT debits (i.e., on sales) so the risk of VAT immobilization credits arising during the exploration phase must be considered. VAT returns must be submitted monthly.

Joint ventures and the *Union Transitoria de Empresas (UTE)* are separate VAT taxpayers (see 16.5 for more information).

8.2 Turnover Tax

Turnover tax is applied at a jurisdictional level. There are 24 jurisdictions in Argentina (23 provinces and the federal district of Buenos Aires City). A taxpayer that conducts activities only in one jurisdiction pays tax only in that jurisdiction. However, where a taxpayer carries out activities in more than one jurisdiction, it must pay tax as provided under an agreement signed by the relevant jurisdictions.

Gross revenue is the taxable base. Exports are exempt.

The rate for oil and gas upstream sales generally is three percent and for downstream activities the range can reach up to 3.5 percent.

8.3 Customs duties and other import taxes and levies

Customs duty (rates depending on product classification) and VAT usually are due on imports of goods into Argentina. However, the duties can be eliminated or reduced where certain capital goods to be used in the oil and gas industry are imported, provided certain requirements are met. Imports of goods originating in the Mercosur Trade Area are not subject to custom duties.

Argentina also offers a regime that provides for reduced rates for the certain imports of used capital goods.

8.4 Export taxes, duties, and levies

The export of goods is zero rate for VAT and turnover tax purposes. Export duties apply on all goods at a general rate of 12 percent, with a cap of four Argentinean pesos (ARS 4) per USD 1 exported for primary goods and of three Argentinean pesos (ARS 3) per USD 1 for manufactured goods (at the current exchange rate the export duty rate is around eight percent). Export duties should be in force until 31 December 2020.

9.0 State, provincial, and other local taxes

9.1 Real estate tax

The provincial governments levy real property tax on urban and rural land, with the rate depending on the jurisdiction. The tax base for the real property tax generally is the fiscal value of the property determined by the applicable authority

9.2 Municipal assessments

Municipalities impose assessments for services provided. In certain cases, these are calculated by applying the same taxable base as for turnover tax purposes.

10.0 Financial transactions tax

The tax on financial transactions is levied on debits and credits in bank accounts at a rate of 0.6 percent per transaction. As from 1 January 2018, 33 percent of the total tax paid may be taken as an advance payment of income tax or minimum presumed income tax. The main exemptions are the collection of export proceeds and credits for loans received from financial institutions.

The executive branch has been authorized by congress as of 1 January 2018 to increase by 20 percent annually the amount of tax to be credited against income tax to reach 100 percent in 2022.

11.0 Stamp tax

Stamp tax is levied on the formal execution of public and private instruments. Documents subject to stamp tax include all types of contracts, notarial deeds, receipted invoices confirmed by a debtor, promissory notes, and negotiable instruments.

The average duty is usually between one percent and two percent, but there are exceptions, such as for real estate sales where the rate ranges from 2.5 percent to four percent. The rate is applied in general on the economic value of the agreement.

Each province has its own stamp tax law that applies within its territory. There are some instances of double taxation for which no legal remedy exists.

The federal executive and the provinces have committed to reduce this tax progressively and eliminate it by 2022.

12.0 Net wealth tax

An annual net wealth tax asset tax of 0.25 percent is applied to equity interests in a company organized in Argentina and owned by resident individuals or nonresident individuals or entities. The Argentine company is responsible for the payment. The company has the right to be reimbursed by the shareholders for the tax paid. Under certain conditions, companies that have fulfilled its tax obligations for 2014 and 2015 could have requested an exemption for this tax up to 31 March 2017. The exemption was applicable for three years namely 2016, 2017, and 2018.

13.0 Other taxes

In the downstream business, excise taxes are applicable on the sale of certain fuels.

14.0 Tax incentives and exemptions

There are no general tax incentives applicable to the industry. However, four regimes with specific provisions may be relevant.

14.1 Benefits included in Decree No. 929/2013

Law 27.007 and Decree No. 929/2013 grant the following benefits to projects that bring at least USD 250 million over the first three years of the project into Argentina:

1. The right to export 20 percent (60 percent for offshore projects) of the hydrocarbon production derived from the project with zero percent export withholding duty (there is no withholding on exports under the general law).
2. The right to freely dispose of funds derived from the exports, with no obligation to repatriate the foreign currency.
3. A 14 percent percent or zero percent duty (depending on the tariff code) on the importation of certain capital goods that are essential for the project. The list of the tariff codes included in the benefit can be extended.

Benefits will be available from the third year after commencement of the project.

To qualify for the benefits of Decree No. 929/2013, projects that must be approved by the Federal Commission for Hydrocarbons Investment also must contribute to the province where the project is located an amount equal to 2.5 percent of the initial investment. The contribution will be used for social projects in the province.

14.2 Non-conventional gas production stimulus plan

Ministerio de Energía y Minería (MINEM) Resolution No. 46/2017 and No. 447 E/2017 approved the "Natural Gas Production from Non-Conventional Reservoirs Stimulus Program," a program to stimulate investment in natural gas from non-conventional reservoirs in the Neuquina and Austral basins. The program will be in effect until 31 December 2021.

Resolution No. 46/2017 creates a subsidy for the volume of non-conventional gas production from qualifying concessions located in the Neuquina basin. This is determined by the difference between the average internal market natural gas sales price in Argentina, as published by the Secretary of Energy (formerly MIMEN), and the minimum sales prices established by Resolution No. 46/2017 each year, multiplied by the volumes of production of non-conventional gas.

The minimum prices established are USD 7.50 per mmBtu for 2018, reducing to USD 6 per mmBtu for 2021.

14.3 Reimbursement of excess input VAT

A refund of excess input VAT arising from investments in fixed assets made after 1 January 2018 can be requested if the excess input remains for at least six months. It must be demonstrated that input VAT would have been absorbed by output VAT for 60 months after the refund; otherwise, the refund must be repaid, plus interest.

15.0 Tax treatment of transactions

15.1 Acquisitions and disposal of shares and other equity interests

Domestic entities are subject to income tax at a rate of 30 percent for the two fiscal years beginning 1 January 2018, reducing to 25 percent for subsequent periods, on any gain derived from the disposal of shares or other equity interest in domestic companies.

Gains derived by a nonresident from the sale of shares of an Argentine corporation or other participation in the capital of an Argentine entity are subject to a 15 percent tax. The seller has the option to calculate tax on 90 percent of the gross proceeds, or on the entire gross proceeds less expenses and costs incurred in deriving the gains, all of which must be measured in local currency. No distinction is made between short and long-term gains. Tax treaty provisions may override domestic rules. Sales taking place in the local stock exchange are exempt.

There are no provisions that allow a step-up in the basis for the buyer.

These transfers are not subject to VAT.

Stamp tax may be applicable.

15.2 Asset transfers

Asset disposals also are subject to income tax at a rate of 30 percent for the two fiscal years beginning 1 January 2018, reducing to 25 percent for subsequent periods. In this case, the price must be allocated to the different tangible and intangible assets transferred.

Depending on the nature of the asset transfer, VAT may be applicable.

15.3 Farm-outs and development carries

There are no specific rules relating to farm-outs and development carries. A detailed analysis of the terms and conditions must be made to determine the tax consequences.

16.0 Other issues

16.1 Tax compliance and reporting requirements

Tax compliance in Argentina varies depending on the type of tax. A summary of the main applicable tax requirements is as follows:

- Income tax and minimum presumed income tax: Annual tax return plus monthly prepayments
- VAT: Monthly returns and payments
- Turnover tax: Monthly returns and payments
- Withholding on domestic and international payments: Bi-monthly returns and payments
- Royalties on production: Monthly returns and payments
- Payroll taxes: Monthly returns and payments

In most cases, filing is done electronically or through the tax authorities' intranet.

16.2 Anti-avoidance legislation

16.2.1 General anti-avoidance rule

Argentina's tax procedure law includes an economic reality principle that operates as a general anti-avoidance rule, under which the tax authorities can look at an actual economic transaction and disregard the legal form and structure used by the taxpayer.

16.2.2 BEPS

The 2017 tax reform introduced many measures aligned with the recommendations under the OECD/G20 BEPS project. Argentina is a signatory to the multilateral competent authority agreement for the automatic exchange of financial account information and also signed the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting.

Argentina has introduced a country-by-country reporting regime for constituent entities of certain multinational entity groups, which applies to fiscal years beginning on or after 1 January 2017.

16.2.3 Controlled foreign companies (CFC)

The CFC rules require Argentine residents to include in their taxable income the taxable profits derived by nonresident companies if certain conditions are fulfilled. In general, this provision is applicable to entities with no tax registration in their country of incorporation or entities that derive mainly passive income or that lack material and human resources to perform their activities, if the tax paid by the foreign entity on the profits is lower than 75 percent of the Argentinian income tax rate (investments in low or no-tax jurisdictions or in noncooperative countries are deemed not to meet the rate test).

Branches and trust or similar arrangements to manage assets are taxed on an accruals basis.

The Argentine tax authorities have issued a list of countries that are considered “cooperative” for tax transparency purposes. A country or jurisdiction not included on the list of cooperative countries is deemed to be a noncooperative country.

A low or no-tax jurisdiction is a country, territory or special tax regime that establishes a maximum corporate income tax rate lower than 60 percent of the Argentine corporate rate.

16.3 Choice of business entity

Holders of permits or exploration or concessions of exploitation must have a business presence in Argentina through a corporate entity (Sociedad Anónima “SA”, Sociedad Anónima Unipersonal “SAU” or Sociedad de Responsabilidad Limitada “SRL”), or a branch.

16.4 Entity registration and licensing

The procedure for setting up a new firm is simple. The name of the company is first vetted by the Superintendency of Corporations (SOC) to ensure that no other company has the same name. This involves submitting a simple form with the firm name and type of organization. Registration takes place when the new company submits its notarized contract, along with the remaining documentation required by the SOC.

Foreign companies interested in incorporating local companies or in having interests in Argentine, companies must be registered with the relevant SOC. A foreign company doing business in Argentina must present its balance sheet to the government and show the assets it has in each country in which the company operates. In addition, foreign companies must file a sworn statement with the SOC regarding the existence (or lack of existence) of a beneficial owner (i.e., an individual who holds at least 20 percent of the capital or voting rights of the company, or by other means exercises final control, directly or indirectly, over the company or other legal structure).

16.5 Issues for unincorporated joint ventures

The joint venture vehicle most commonly used in Argentina is the *Unión Transitoria de Empresas* (UTE), which is the normal joint venture structure used by oil and gas companies.

The UTE is a specific type of joint venture governed by the Companies Law. A nonresident corporation may be a member of an Argentine UTE subject to complying with the same kind of registration proceedings with the SOC as those applicable to a branch of a foreign company. It means that to be a member of an UTE, a local presence must be established (through an SA, an SRL, or a branch).

All UTEs and their representatives must be registered with the SOC of the jurisdiction of incorporation (e.g., the City of Buenos Aires or any of the provinces).

A UTE may be adopted only in temporary associations, such as the development of specific works or services (e.g., oil and gas exploration and drilling operations and public works). Decisions in UTEs require the unanimous vote of the members unless the agreement provides otherwise. Members of the UTE are not subject to joint and several liability unless otherwise provided for by the UTE agreement.

UTEs generally are not treated as independent legal entities, although they are treated as such for certain purposes, including labor law, social security contributions, and for VAT and turnover tax.

16.6 Foreign exchange control regime

Argentina operates a limited foreign exchange control regime. The transfer of funds into and out of the country must be carried out in accordance with central bank regulations.

The regime was simplified in December 2015. The rules that required the repatriation (and conversion into pesos) within a specified period of time of foreign currency proceeds disbursed by nonresidents with respect to the indebtedness of an Argentine resident were eliminated, as were the minimum term of maturity and nonremunerated deposit requirements.

As of November 2017, proceeds of exports of goods and services no longer have to be brought into the country.

Prior authorization from the central bank is not required for payments for services and royalties to related entities or to noncooperative jurisdictions (as defined by the income tax regulations), but specific, and in some cases detailed, documentation related to the payment must be submitted to the local financial entity making the transfer.

Dividends may be paid without approval with respect to profits arising from an audited financial statement.

16.7 Foreign currency

All taxes are calculated and paid in local currency (pesos). Functional currency reporting is not available for tax purposes.

17.0 Special rules for oilfield service companies and other subcontractors

There are no special rules for oilfield service companies and other subcontractors.

18.0 Contacts

Argentina

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