



International Tax

Argentina Tax Alert

26 December 2015

Foreign exchange control restrictions eased

On 16 December 2015, the new Argentine government eased the stringent foreign exchange controls that have been in place for the past several years and that restricted the inflow and outflow of foreign currency and were accompanied by formal authorization requirements. The policy changes, which are implemented through new central bank regulations, apply immediately.

Although some aspects of the new measures will need to be clarified, affected parties should take the following factors into account:

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- The amount of foreign currency that may be acquired for domestic or foreign investment is increased to USD 2 million per month.
- For imports on shipments made as from 16 December 2015, Argentine importers can freely access the foreign exchange market to pay their foreign suppliers. Any outstanding balance on the imported goods may be paid as follows: during December 2015, up to USD 2 million; during the period January to May 2016, USD 4.5 million per month; and any remaining balance paid as from June 2016.
- For services provided or accrued as from 16 December 2015, Argentine residents can freely access the foreign exchange market to pay the foreign services provider. Any outstanding balance may be paid as follows: during February 2016, up to USD 2 million; during the period March to May 2016, USD 4 million per month; and any remaining balance paid as from June 2016.
- The foreign exchange rules that required foreign currency proceeds disbursed by nonresidents in the context of borrowing by an Argentine resident to be brought into Argentina and converted into pesos within a specified period of time have been eliminated. The minimum term to maturity is reduced from 365 to 120 days and the “nonremunerated deposit” (30% of the loan amount) is eliminated. However, it still is necessary to bring the foreign currency into the country and sell it on the Argentine exchange market if the Argentine borrower intends to repay the debt and related interest in foreign currency.
- Portfolio investments of nonresidents that generate a sale of foreign currency will have access to the foreign exchange market when repatriated, without having to obtain the authorization of the central bank, provided the minimum investment term requirement is met.
- The World Trade Organization ruled in 2015 that Argentina’s import licensing regime was not in conformity with international trade standards. Argentina committed to eliminate the requirement that a special

declaration be filed for imports, effective 1 January 2016. The new government will honor this commitment, but the government is expected to reinstate the license requirement for certain industrialized products (approximately 1,000 tariff headings). As a result, appropriate filing and presentations will be crucial.

- The requirement that Argentine recipients of services provided by nonresidents obtain central bank authorization to pay for the services is abolished. However, commercial banks handling the foreign remittance still must confirm that the services actually were rendered, that they were connected with the Argentine company's business and that the amount to be paid is an arm's length amount. As a result, proper documentation of transactions and pricing will remain important, particularly where transfer pricing analyses are required.
- Up to 16 December 2015, dividends could be paid with profits that were declared in an audited financial statement, although practical restrictions limited the transfer. The new regulations and central bank policy are expected to facilitate implementation of the rules governing dividend payments.

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