GMS Flash Alert

2019-071 | April 5, 2019

Argentina - Wealth Tax Reform

Argentina's 2019 Budget Law[1] and Law 27480[2] have introduced several changes to the wealth tax regime.

WHY THIS MATTERS

The changes introduced in the latest tax reform seek to increase:

- the appraised value of taxable assets, taking them closer to market value; as well as
- the tax rate, which will be gradually raised based on the total amount of assets held.

For those taxpayers who are subject to the wealth tax, this could increase their liabilities. Individuals, therefore – and their tax service providers – will want to consider the implications of these changes, as well as some new applicable exemptions, when making decisions involving their assets.

Background

Under the Argentine tax regime, the wealth tax is levied annually on all assets held by individuals and undivided estates as of December 31, based on the place where they are domiciled (whether in Argentina or abroad). In the 2016 Tax Amnesty Regime, it had been decided to alleviate this tax burden by annually reducing the tax rate and increasing the minimum non-taxable amounts.

Rural Premises Exempted

All rural premises owned by individuals or undivided estates are exempted from the wealth tax, regardless of their purpose or use (leased, assigned, exploited, or not exploited).

Prior Rules

Taxes were levied on covered assets based on their use, minimum presumed income, or if they are personal assets. Minimum presumed income tax was derogated as from 2019.

Real Estate Appraisal for Tax Purposes

As from fiscal period 2018, the residual value of real estate will be compared to the appraisal for tax purposes made in 2017, updated by the CPI, as of the date on which the fiscal year ended.

Such comparison will be in force until the creation and implementation of the Federal Entity for Real Estate Appraisal ("OFVI," by its Spanish acronym), the purpose of which will be to standardize real estate appraisal for tax purposes throughout the national territory.

Prior Rules

Previously, the amount of the real estate appraisal for tax purposes, stated on one's real estate tax bill issued by the various jurisdictions, was considered with no updating. Such values differ widely between jurisdictions.

Motor Vehicles Appraisal

As from fiscal period 2018, the table issued by the National Office of Motor Vehicles and Pledges ("DNRPA," by its Spanish acronym) shall be compared to the amount appraised for tax purposes.

Changes Introduced

Before, a table issued by the tax authorities was used that went back ten years. The new table includes more updated values and goes back more than ten years, so there is a longer period for comparison.

Minimum Non-Taxable Amount

As from fiscal period 2019, the minimum non-taxable amount is set at ARS 2,000,000. In addition, dwelling houses will only be subject to wealth tax if their appraised value exceeds ARS 18 million.

Changes Introduced

The minimum non-taxable amount has been increased (during the 2018 period it was set at ARS 1,050,000), and a tax exemption has been granted to dwelling houses.

Wealth Tax Rate

As from fiscal period 2019, tax rates are set as follows:

Total value of the property exceeding the minimum non-taxable amount		Amount of ARS payable	Plus %	On any amounts exceeding
ARS 0	ARS 3,000,000 inclusive	0.	0.25%	0.
ARS 3,000,000	ARS 18,000,000 inclusive	7,500.	0.50%	3,000,000.
ARS 18,000,000	Onwards	82,500.	0.75%	18,000,000.

Prior Rules

In 2018, a single rate of 0.25% was applied to all amounts exceeding ARS 1,050,000.

KPMG NOTE

Under the new legislation, the wealth tax will continue to be levied during subsequent fiscal periods, but with a new minimum non-taxable amount for taxpayers domiciled in the country, a progressive tax rate scale, some changes in the way real estate and motor vehicles are appraised, and the exemption applicable to rural premises and dwelling houses (the latter with a cap).

Wealth tax issues should be discussed during tax briefings at the beginning as well as at the end of any assignment to/from Argentina. Over time, many mobility programs have included this tax in their equalization policies.

FOOTNOTES:

1 For the text of the budget and related documents (in Spanish), click here.

2 See *Ley 27480* (online) on the InfoLEG webpage of the *Ministerio de la Justicia y Derechos Humanos* website by clicking here.

See also *Decreto 1170/2018* (26/12/201), published in Argentina's *Boletín Oficial* (N° 99370/18 v. 27/12/2018) by clicking here.

* * * *

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in the Argentina:

Rodolfo Canese
Partner
Tel. + 54 11 4316 5643
rcanese@kpmg.com.ar

Glenda G. Santamaría
Senior Manager
Tel. + 54 11 4316 5846
gsantamaria@kpmg.com.ar

Gisele S. González
Senior Manager
Tel. + 54 11 4316 5765
giselegonzalez@kpmg.com.ar

The information contained in this newsletter was submitted by the KPMG International member firm in Argentina.

www.kpmg.com

kpmg.com/socialmedia

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click here. To learn more about our GMS practice, please visit us on the Internet: click here or go to http://www.kpmg.com.