



Thinking beyond borders: Management of extended business travelers - Argentina



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Key message

A person's liability to Argentinean tax is determined by residence status for taxation purposes and the source of income derived by that individual. Income tax is levied at progressive rates on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total assessable Income.

1 Key message

Extended business travelers are likely to be taxed on employment income relating to their Argentinean workdays.

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Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability to Argentinean tax is determined by residence status. A person can be a resident, a non-resident with permanent presence, or a non-resident for Argentinean tax purposes (foreign beneficiary).

Individuals are considered resident in Argentina for the following reasons.

They are of Argentinean nationality, whether by birth or naturalization, except for those individuals who have lost their residence status; or

They are: a) foreign individuals who are not residents for immigration purposes but have spent more than 12 months (not for labor reasons) in Argentina, or b) foreign individuals with permanent residence for immigration purposes, or c) those who have been in the country/territory-due to work reasons-for more than 5 years.

Generally, individuals who have been resident in Argentina will lose their residence status when they acquire permanent residence (for immigration purposes) in another country/territory or remain in another country/territory for a period exceeding 12 months.

The 1998 law established a new category of individuals who are considered non-residents with permanent presence in Argentina. In this sense, foreign individuals whose presence in Argentina is based on employment that is duly accredited and requires their permanency in Argentina for a period not exceeding 5 years with a temporary visa are considered to be non-residents with permanent presence (NRPPs). The same treatment applies to family members who accompany them.

NRPPs are only subject to taxation on Argentine-source income, but for the purpose of tax calculation, they shall be governed by Income Tax Law provisions applicable to Argentine residents.

The general rule is that people who are residents of Argentina are assessable on their worldwide income. Non-residents are generally assessable on income derived from sources in Argentina.

Extended business travelers are likely to be considered non-residents with permanent presence in Argentina or foreign beneficiaries.

2.2 Definition of source

Employment income is generally treated as being Argentinean-sourced compensation where the individual performs the services in Argentina (irrespective of the place of payment).

2.3 Tax trigger points for employment income

Technically, there is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Argentina. To the extent that the individual qualifies for relief in terms of the dependent personal services article of the applicable double tax treaty, there will be no tax liability. The treaty exemption will not apply if the Argentinean entity is the individual's economic employer.

2.4 Types of taxable income

For extended business travelers, the type of income that is generally taxed is employment income.

2.5 Tax rates

For 2023, net taxable income is taxed at graduated rates ranging from 5 percent to 35 percent for both residents and non-residents with permanent presence in Argentina. The maximum tax rate is currently 35 percent on net income earned over 7.208.435,19 Argentine pesos (ARS). Foreign beneficiaries may be subject to a flat rate if income tax is withheld at source (see the section on employee compliance obligations and employer reporting and withholding requirements).

03

Social Security

3 Social Security

3.1 Liability for social security

- Argentinean nationals and expatriates living in Argentina are subject to social security contributions. Social security contribution exemption is granted on request for foreigners on short-term assignments (less than 2 years with a temporary visa).
- Currently, social security taxes represent 17 percent of gross wages. Since December 2023, a monthly taxable base of ARS 1.157.112,83 has been applicable to the employees' contributions; employers' contributions are not capped. In accordance with the laws currently in force, the cap for employees is updated every three months (March, June, September, December).
- Employer's contributions are determined for the size of the company:
 - Medical care contributions remain 6%;
 - Small and Medium Companies (PYMES) contributions percentage are 18%,
 - Big Companies contributions are 20,4%.
- The tax reform also includes:
 - A nontaxable minimum amount for employer contributions of AR\$ 7.003,68.
 - A nontaxable minimum amount for PYMES with less than 25 employees of AR\$ 10.000
- Argentina has entered into formal social security totalization agreements to prevent double taxation and allow cooperation between Argentina and overseas tax authorities in enforcing their respective tax laws.
 - Bilateral treaties: Spain, Portugal, Italy, Chile, Colombia, Greece, France, Peru, Belgium, Luxemburg, and Slovenia.
 - Multilateral treaties:
 - Mercosur: Uruguay, Paraguay, Brazil.
 - Ibero-American treaty: Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Spain, Paraguay, Peru, Portugal, and Uruguay.

04

Compliance obligations

4 Compliance obligations

4.1 Employees' compliance obligations

The deadline for filing individual income tax returns and paying any annual tax due depends on the final digit of the taxpayer's tax registration number following the tax year-end, which is 31 December. Since FY 2017, the due date for the filling of Tax Returns is on Mid-June.

Individuals whose only source of income is employment income, which may often be the case with extended business travelers, do not need to file tax returns if the income was subject to withholding at the source, unless their annual gross income exceeds a minimum that is set by the Argentine tax authorities (currently set at ARS 6,700,000 for FY 2022, not confirmed the minimum for FY 2023), in which case it becomes mandatory an informative income tax return.

For many types of income, including any income other than employment income paid to a Foreign Beneficiary, the payer must withhold tax at source and remit taxes withheld to the tax authorities.

4.2 Employers reporting and withholding requirements

Withholdings from employment income are covered under the Pay-As-You-Earn (PAYE) system. If an individual is taxable with respect to employment income, the employer has a PAYE withholding requirement. Foreigners who are present in Argentina for less than 6 months are also subject to withholding. However, each case should be evaluated in order to determine the applicable withholding regime.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

Every assignee travelling to Argentina to perform tasks different from tourism and pleasure purposes, must request the appropriate category and benefit conferred by the Immigration Office in Argentina or Consular Authority in the country/territory of residence.

There are three categories of residences for Argentina: Transitory, temporary, and permanent residences.

Transitory residence

This type of residence is for those foreigners remaining in the country/territory for a short period of time, generally less than 3 months. This residence does not allow working in the country/territory except technical residents.

Technical residence: This residence type is applied to foreigners who perform technical or professional activities for a short term. It can be obtained at the Argentinean Consulate in the country/territory of residence of each foreigner or after the arrival as a tourist.

The Consular request is a 30 day period of time residence, which could be extended upon the Immigration Office's discretion. The local request is for 90 days period of time residence, which could not be extended; it can be requested twice a year only.

Business residence: This residence is issued for foreigners who are invited by a company established in Argentina. This process can be requested at the Argentinean Consulate of the country/territory of residence only. This type of residence is admitted for business issues. This is a 60-day period of time residence, which could be extended upon the Immigration Office's discretion. However, as of April 2017, national of the Organization for Economic Co-operation and Development (OECD) countries/territories are exempt from the Argentine consular visa requirement, when they hold an ordinary passport issued by the country/territory of their nationality, or a travel document according to regional regulations, when their entry into Argentina is made on a transitional basis and for a period of up to ninety (90) days, under the terms of article 24 of Law No. 25. 871 and its amendments, and whenever the reasons for admission involve:

- The performance of any unpaid activity or,
- The carrying out as usual business activity or commercial or economic transactions, by account, risk, or own capital or with a participation in companies or legal entities that perform that activity, or on behalf of them, as provided in Article 1 of Provision No. 1171 of June 29, 2010, of the NATIONAL DIRECTION OF MIGRATION and its amendments.

Temporary residence

This type of residence is for those foreigners who want to live in the country/territory for an extended period of time. They are able to work, study, live, etc.

Work residence: This residence type is applied to foreigners who are employed by a local company for a long term. The Residence will be valid for one year and it could be extended indefinitely.

Intra Company transfer residence: This residence type is applied to employees who are transferred from a home country/territory company to an Argentinean company for a long term. The Residence will be valid for one year and it could be extended indefinitely.

Family reunification temporary residence: This residence type is applied to foreigners who have a relative with temporary residence in Argentina. The Residence will be valid for the same period of time of the relative and it could be extended indefinitely.

Cohabitant temporary residence: This residence type is applied to foreigners who can prove that they cohabit with an Argentinean citizen or with a foreigner who has a permanent or a temporary residence in Argentina, registered accordingly in the local jurisdiction. Being granted with this type of residence is subject to analysis from the Immigration authorities.

Renter residence: This residence is for owners or pensioners who receive money from their home country/territory in Argentina. It will be valid for one year and it could be extended indefinitely.

Study residence: This residence is for foreigner students in Argentinean officially recognized establishments. It will be valid for one year and it could be extended indefinitely.

MERCOSUR citizen residence: This residence type is applied to foreigners born in the MERCOSUR countries/territories (Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela) who want to live in Argentina for a long term. It will be valid for two years and it could be extended indefinitely.

Investor residence: The Immigration Office considers an investor a person who makes an investment of ARS1,500,000 in Argentina and provides a productive, commercial, or service-supplying activity. This Residence will be valid for one year and it could be extended indefinitely.

Permanent residence

This type of residence is for those foreigners who want to live in the country/territory permanently. Under this residence, the foreigners can work, study, live, etc.

Family reunification permanent residence: This residence type is applied to foreigners who have a relative with permanent residence in Argentina or an Argentinean citizen relative in the country/territory.

Citizens who live in Argentina for 2 or 3 years: The permanent residence for MERCOSUR citizens could be required after the first period of temporary residence (two years). The permanent residence for Non MERCOSUR citizens could be required after living in Argentina for at least three years.

Registration of the local company

RENURE is the national registry where all the local companies requiring foreign staff must be enrolled in order to require the type of residence which involves a local company. The requesting person (private or public, physical, or juristic) must be registered at RENURE.

Foreigners' Identity Card

The Identity Card issued for temporary and permanent residents in Argentina is the DNI. Foreigners' Labor Card

The labor card or Social Security Number (CUIL) is mandatory for those foreigners employed by a company.

06

Other issues

6 Other issues

6.1 Wealth Tax

The wealth tax is levied on the worldwide assets that individuals tax residents (for Income Tax purposes) in Argentina hold at the end of the year. In addition, there is a differential rate applicable to Argentinian assets and Foreign assets. Tax rate and non-taxable minimum amounts have not been updated yet. Below is an estimation:

Argentinian Assets Progressive Tax Rates		
Taxable Assets	Fixed amount	%
-	-	0,50%
13.688.704,14	68.443,51	0,75%
29.658.858,98	188.219,68	1,00%
82.132.224,86	712.953,35	1,25%
456.290.138,07	5.389.927,27	1,50%
1.368.870414,25	19.078.631,41	1,75%

Foreign Assets Fixed Tax Rates	
Taxable Assets	%
-	0,70%
13.688.704,14	1,20%
29.658.858,98	1,80%
82.132.224,86	2,25%

Residents count on with a minimum-non- taxable amount of ARS 27,377,408 and their homes are exempt whether its value for the current this tax is below ARS 136,887,041.

As regards employees, if the annual gross compensation surpasses the amount of ARS 6,700,000 (FY 2022), their assets valued according to the law are lower than the minimum amounts established and they are not registered under the wealth tax, they have to file an informative wealth tax return, which due date operates on June 30.

Foreign individuals whose presence in Argentina is based on an employment relationship duly proved and which requires their permanency in Argentina for a period not exceeding five years, are subject to this tax only on assets located in the country/territory, valued according to the law.

As regards non-resident individuals (for Income Tax purposes), Argentina imposes a wealth tax with a fix rate of 0,5%, but only on assets held in the country/territory at the end of the year. For these the non-taxable minimum amounts are lower: ARS 51.150

6.2 Double taxation treaties

In addition to Argentina's domestic arrangements that provide relief from international double taxation, Argentina has entered into double taxation treaties with 20 countries/territories (Germany, Australia, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, , United Arab Emirates, Spain, Finland, France, Italy, Mexico, Norway, Netherlands, Qatar, UK, Russia, Sweden and Switzerland) to prevent double taxation and allow cooperation between Argentina and overseas tax authorities in enforcing their respective tax laws.

Also, Argentina has entered into double taxation treaties with China, Japan, Luxemburg, and Turkey, but these agreements are not in force yet.

6.3 Permanent establishment implications

There is the potential that a permanent establishment (PE) could be created as a result of extended business travel, but this would depend on the type of services performed and the level of authority the employee has and the time spent in Argentina.

6.4 Indirect Tax

The standard rate of value-added tax (VAT) is 21 percent. VAT or IVA (impuesto al valor agregado in Spanish) is a general tax on consumption within the Argentine territory. It is levied on the sale of goods or the rendering of services by any person or legal entity conducting an economic activity and on the importation of goods and services.

- VAT is levied on:
- the sale by VAT taxpayers of movable property located in Argentina
- leasing, and services specified in the law, provided they are performed in Argentina
- the final importation of movable property
- the use or exploitation in Argentina of services that are supplied by non-residents (i.e., import of services).

Employment income is not subject to VAT

Under the VAT system, tax is levied at each stage of the manufacturing and distribution process on a noncumulative basis. The accumulation of tax is avoided through the deduction of VAT invoiced to an entity. The entity pays VAT on the total amount invoiced by it in each monthly tax period but is entitled to recover the input VAT that was invoiced to the entity during the same period.

If, in any tax period, the credit for input VAT is higher than the amount of VAT due on output, the entity is not entitled to a refund (unless the refund is related to exports). In cases where there is excess, it is credited against future VAT liabilities.

If a business has taxable activities in Argentina, it will be required to register and account for Argentine VAT. Note that under Argentine VAT legislation, it is not possible for a non-Argentine entity to register voluntarily in Argentina and act as an "Argentine established entity". VAT must be filed on a monthly basis.

6.5 Transfer Pricing

Argentina has a transfer pricing regime that applies to transactions made with foreign affiliates and companies located in non-cooperative or low or no taxation countries. More details can be found in Argentine income tax law and relevant amendments. The law was regulated in the articles referred to transfer pricing by the inclusion of specific rules in the Regulatory Decree following the amendments introduced by Decrees No. 1037/00, No. 916/04 and No. 1170/18, as included in the text ordered in

December 2019 by Decree No. 862/19, and by AFIP General Resolution No. 4717/20, which replaces former General Resolution 1122/01.

When a company renders services to a related company through its employees, transfer pricing should be considered in order to give said transaction a market value.

The local company must file a report to the local tax authorities (in Spanish) accompanied by a CPA certification of certain contents legally required, by the sixth month after the end of the fiscal year.

The transfer pricing return F. 4501 should be prepared for filing the referred documentation, which shall bear the digital signatures of the taxpayer, CPA involved and representative of the professional association where the CPA has been licensed.

Also, together with the aforementioned report, the local company will have to submit a transfer pricing annual return (F.2668) which must disclose the transactions performed with foreign affiliates companies and/or companies located in non-cooperative or low or no taxation countries during the fiscal period under analysis.

Additionally, local compliance includes the filing of a Master File (in Spanish), in order to provide certain information related to the economic group to which the taxpayer belongs, establishing, in turn, the minimum limits of income and operations during the fiscal period to be achieved by the obligation.

Finally, when a local company is part of a Multinational Economic Group it should comply with an informative regime related to the Country-by-Country notifications.

Management fees would be deductible but must meet an arm's length standard and be directly related to the income being generated, and the relevant documentation must be kept.

6.6 Local Data Privacy Requirements

Argentina has data privacy laws, including the Law for the Protection of Personal Data enacted in 2000 and the related regulations enacted in 2001. The laws are enforced by the National Data Protection Commissioner. The European Union (EU) has determined that Argentina's laws meet the EU's 'adequacy' standard for data flows outside Argentina.

6.7 Exchange control

The new Government of Argentina has adopted important measures to streamline and boost the country/territory's economy, among which, eased the prior strict controls on foreign currency transactions.

On September 1st, 2019, the Executive Branch and the Argentine Central Bank (also referred to as "ACB" or Central Bank), laid down new exchange control regulations which imposed severe restrictions in order to purchase foreign currency to transfer funds to non-resident related parties.

By virtue of changes introduced by the ACB, local companies must request authorization from the Central Bank to access the official exchange market to get foreign currency or paying services provided by related companies abroad. Notwithstanding the abovementioned, further analysis should be conducted on each case in order to evaluate the best strategy to implement for each assignment.

On the other hand, individuals who wants to buy foreign currency, for saving purposes or even for paying credit/debit cards in dollars, will be limited to buy up to USD 200 monthly. This transaction is subject to two taxes:

- "Impuesto País": 30% of the transaction amount.

- Income Tax withholding: 35% of the transaction amount. This is considered an advance payment for the annual income tax return.
- Wealth Tax withholding: 25% of the transaction amount. This is considered an advance payment for the annual Wealth Tax Return.

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