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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

In 2022, the population of Argentina is estimated at 46.2 million inhabitants, with 49.1% of males and 50.9% females (INDEC). The median age in Argentina is 32, with 21% aged between 0 and 12, 18.5% between 13 and 24 years, 49% between 25 and 64, and 11.6% 65 or older (Data Reportal). Most households consist of two or three people, with one-person households representing 18% of all households, while two or three people households account for 42% of them, 29% of them have four or five people, and 11% have six or more inhabitants (INDEC, latest census data). With a literacy rate of 99%, the same rate of children enrolled in primary education, Argentina has high education levels. Additionally, 90% of those with primary education degrees go on to enroll in secondary education. However, only about 36% of Argentines aged 25-64 years old completed a tertiary degree in 2020 (OECD). More women (45%) than men (34%) attain a tertiary degree in the country (OECD, 2020). More than a fifth of women earned a bachelor's degree, while only 15% of men did so. Argentina's population is mainly urban, as 92.3% of Argentines live in cities, with the 10 largest metropolitan areas accounting for nearly half of the population (Data Reportal, 2022). One-third of the population lives in Buenos Aires alone, and pockets of agglomeration occur mainly throughout the northern and central parts of the country.

#### Purchasing Power

GDP per capita has been fluctuating for years and has been declining since 2017. In 2020, it amounted to USD 20,770 PPP (World Bank), and the average yearly salary was estimated at ARS 158,000 in 2022 (INDEC). The concentration of wealth is very high in Argentina, as the country's richest 10% control more wealth than the poorest 60% of the population. Furthermore, Gini index coefficient in Argentina was reported at 42.3 in 2020 (World Bank, latest data available). Additionally, the wage gap between men and women reached 25% in 2021 (Statista). However, it is possible that the wage gap is much larger than that, given that salaries for domestic work are not taken into account, and 14.2% of women in the country work in domestic services (Argentina Ministry of Labor, 2021). Out of all registered workers in the country, 43.9% are women and 56.1% are men (Argentina Ministry of Labor, 2021). Additionally, 78% of the population works in the services sector, 22% in industry, and 0.1% in agriculture (World Bank, latest data available). The highest wages in the country are in Buenos Aires, followed by Córdoba, then Corrientes.

#### Consumer Behaviour

Consumption preferences in Argentina tend to be closer to those of European countries than those of its Latin American neighbours. Given that the country went through a few crises over the past two decades, Argentine consumers have become quite frugal and consumption shifted towards value for money. Argentinian consumers tend to be rational and conservative with their money, buying only what is strictly necessary, prioritising price, not wasting, walking instead of driving, and acquiring new brands when cheaper. As a result, purchasing tends to orient itself around sub-brands and special offers, and household spending has decreased. Consumers have also become more selective and more reticent with regard to new products. Moreover, Argentine consumers tend to favour national rather than imported products, especially as the latter can be up to three times more expensive. According to Nielsen, since the pandemic consumers have changed their spending habits to save on household expenses, have cut down on takeaway meals and alcohol, and have switched to cheaper brands when shopping for groceries. In the food sector in particular, consumers tend to buy whatever is cheapest and are not loyal to brands. They also search for the best prices and special deals before buying a product, even if that means going to several different shops in one day. However, they tend to choose healthy but flavoursome products that are practical and easy to prepare, while looking for a bargain at the same time. They are also not loyal to specific retail chains, and are constantly looking for better service, less time waiting at the till and an overall better shopping experience, wherever that may be. Therefore, shops are constantly battling each other to attract consumers, which forces retail chains to invest in mass media advertisement, announcing discounts, great deals and special offers. On the other hand, wealthier consumers accept the higher prices of major brand names, because they perceive these brands to guarantee safer products and higher quality. Furthermore, younger consumers are more brand conscious than older consumers, and, even though price is still a concern, they usually do not mind paying more for a brand-name product. Even though on-line shopping has been growing in the country - especially among the younger generations - consumers still prefer to do their shopping in person. When shopping on-line, after sales service and delivery play a considerable role in purchasing decisions among the majority of Argentines. The household appliances sector is particularly interesting, as there is an overall preference to repair, rather than replace, older goods, so there is a flourishing market for household appliance spare parts in the country. Consumers are highly attracted to collaborative platforms such as Uber in Argentina. Nevertheless, except Mendoza province, use of such platforms are considered illegal, pushing consumers to use public transportation or licensed taxis.

### **Consumer Recourse to Credit**

Consumers avoid resorting to credit and tend to see it as a last resort when covering unexpected expenses or making ends meet when facing a temporary income shortfall. Given the instability of the peso, Argentinians usually do not purchase their own home. When they do so, they often pay for their homes in cash upfront, and most of the time they do it in dollars. As a result, mortgage loans are practically non-existent. However, the government strongly encouraged the granting of mortgage loans to be paid in 20 or 30 years. Therefore, there has been an increase in mortgages in the country over the past two years, albeit little. On the other hand, car loans are one of the most common forms of credit in Argentina, and they have been growing lately. Additionally, most hypermarkets offer consumer credit on their products, so purchases paid over monthly instalments are increasingly popular all over the country.

### **Growing Sectors**

Banking, insurance, real estate, transport, communication, tourism, agriculture, infrastructure, healthcare, agriculture, information technology, energy, creative industries, food processing, mining, chemicals, and pharmaceuticals.

### **Consumers Associations**

Consumidores Argentinos

## IMPORTING & DISTRIBUTING

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### Import Procedures

Import procedures have changed several times in recent years, so it is advisable to contact a local customs broker before starting any import process. As it stands currently, an importer or exporter must be registered with Argentine Customs in order to carry out international trade transactions. There are certain products with automatic licence procedures (*formulario informativo*), which officially allow Argentine Customs authorities to identify possible problems when they are imported. This licencing scheme encompasses about 600 products of different kinds.

Argentine Customs, which is affiliated with the [Ministry of Economy and Public Finance](#), has a three-tiered classification system related to goods inspection (Comprehensive Import Monitoring System - SIMI):

- Green: customs clearance takes place without physical inspection
- Orange: only documentation is inspected
- Red: both goods and documents are inspected.

A form declaring quantities and composition of goods must also be provided to the Ministry of Industry ten days before clearing Customs. All documents presented to Argentinean authorities must be in Spanish or be accompanied with a translation from a certified translator.

As a member of Mercosur, Argentina applies the common external tariff (CET), which is between around 0 and 20% for most products. Some automotive goods face a tariff up to 35%. Information technology and capital goods are temporarily exempt from the CET.

In addition to import tariffs, there are other fees, including:

- VAT of 10.5% or 21% on CIF. If imported goods are for resale, the rate is 5.5% or 10% VAT on CIF. Increased rate of 27% for utilities services.
- 3% statistics charge
- Anticipated profit tax for retail goods: the rate depends on the activity and the jurisdiction
- And a 3% to 5% gross income tax (PwC)

Some products such as tobacco, soft drinks, alcoholic beverages among others, fall under the domestic tax regime.

For more information, please visit the website of the [Argentine Federal Administration of Public Income](#).

### Specific Import Procedures

A preliminary import authorisation license is necessary for 9 nomenclature numbers in the automobile domain, and these products are also subject to relatively low quotas. However, these quotas do not apply to imports from Brazil. A very strict certificate of origin (authenticated by the Argentine Consulate in the exporting country) is required for textiles and articles of clothing.

For maritime shipments, the following documents are required:

- Three copies of the commercial invoice
- A negotiable copy of the Bill of landing
- Insurances certificates
- A packaging list

Air cargo shipment must present the following documents:

- Three copies of the commercial invoice
- A packaging list
- An airway bill

All commercial invoices must be in Spanish. An English version could be presented with a certified translation. Only originals are accepted. In all cases, the following text must be in the invoice:

"DECLARO BAJO JURAMENTO QUE LOS PRECIOS CONSIGNADOS EN ESTA FACTURA COMERCIAL SON LOS REALMENTE PAGADOS O A PAGARSE, Y QUE NO EXISTE CONVENIO ALGUNO QUE PERMITA SU ALTERACION, Y QUE TODOS LOS DATOS REFERENTES A LA CALIDAD, CANTIDAD, VALOR, PRECIOS, ETC., Y DESCRIPCION DE LA MERCADERIA CONCUERDAN EN TODAS SUS PARTES CON LO DECLARADO EN LA CORRESPONDIENTE SHIPPER'S EXPORT DECLARATION."

### Distribution channels

Argentina is the second-largest economy in South America in terms of nominal GDP, with 46.2 million inhabitants in 2022 (INDEC), and a GDP per capita (PPP) estimated at 20,770 USD in 2020 (World Bank, latest data available).

According to INDEC, in 2021 supermarkets recorded a 1.5% increase in sales (constant prices), as a consequence of continued urbanisation of the population (92.3% in 2022, according to CIA's Factbook). During the first two months of 2022, sales increased by 5.4% year-on-year.

Argentina's retail formats under 500 m<sup>2</sup> perform slightly better than the larger ones.

In recent years, nearly all retail formats have been increasing in number: supermarkets, wholesalers, traditional grocery stores, and shopping malls. However, the Argentinian retail market continues to face certain challenges such as high operating costs, inflation, bureaucratic barriers, and high taxes. Furthermore, the supermarkets channel has been affected by the economic recession, resulting in the closure of branches. As a response to consumption contraction and the decrease in consumers' purchasing power, bigger chains have been further developing private labels, which is expected to boost their sales, especially for food products.

### Distribution market players

A significant number of consumers prefer hyper and supermarkets, as they find them more convenient in terms of time passed on shopping and prices. During the last couple of years, traditional stores have continued to lose market shares to hyper and supermarkets as a consequence of their highly competitive prices and discounts. Hypermarkets, superstores, and warehouse stores account for approximately a third of the Food and Beverage market (which accounts for more than 70% of total sales) (Ambito). The sector is very concentrated, with six chains representing 80% of the market. The main leaders are Carrefour, Cencosud (Disco, Jumbo and Vea), Coto Supermarkets, Walmart (Chango Más), La Anonima and Dia (iProfesional).

### Retail Sector Organisations

Camara Argentina de Supermercados

Argentinian Confederation of Medium-Sized Enterprises (CAME)

## OPERATING A BUSINESS

### Type of companies

**La Sociedad Anonima Unipersonal (SAU): Individual Businessperson**

**Number of partners:** Only one shareholder.

**Capital (max/min):** Minimum capital: ARS 100,000, entirely subscribed and paid-up.

**Shareholders and liability:** Liability is limited to the amount of capital contributed/subscribed shares.

**The Sociedad Anonima (SA): Public Limited Company**

**Number of partners:** Minimum 2 partners/shareholders; no maximum.

**Capital (max/min):** Minimum capital: ARS 100,000.

**Shareholders and liability:** Liability is limited to the amount of capital contributed/subscribed shares.

**The Sociedad de Responsabilidad Limitada (SRL): Limited Liability Company**

**Number of partners:** Minimum 2 partners; maximum 50 partners.

**Capital (max/min):** No minimum capital, the capital must be appropriate with the corporate purpose of the company.

**Shareholders and liability:** Liability is limited to the amount of capital contributed.

**The Sociedad en Commandita por Acciones (SCA): Limited Joint-Stock Partnership**

**Number of partners:** Minimum 2 partners; maximum 50 partners.

There are two types of partners, active partners and silent partners.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** The liability of the active partners is unlimited.

The liability of the silent partners is limited to the amount of capital contributed.

**Sociedad por Acciones Simplificada (SAS)**

**Number of partners:** Minimum one shareholder, no maximum.

**Capital (max/min):** Two minimal wages (25% paid-up).

**Shareholders and liability:** Liability is limited to the amount of capital contributed.

**The Sociedad en Commandita Simple (SCS): Limited Partnership**

**Number of partners:** An association of companies or individuals to carry out particular economic activities in Argentina or in other countries having Argentina as its operation's base. This structure does not have enterprise status.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** The liability of the active partners is unlimited.

The liability of the silent partners is limited to the amount of capital contributed.

Setting Up a Company	Argentina	Latin America & Caribbean
Procedures (number)	12.0	8.0
Time (days)	11.5	25.2

*Source: Doing Business - Latest available data.*

**Cost of Labour****Minimum Wage**

ARS 38,940 as of April 2022, according to the Argentine Ministry of Labor.

**Average Wage**

According to the Argentine Ministry of Labour, the gross average monthly wage was ARS 158,000 per month in

the first quarter of 2022.

## Social Contributions

**Social Security Contributions Paid By Employers:** Employers contribute between 24% and 26.4% of payroll (for employers active in the services or commerce sectors, unless they are considered a SME) to social security, with the first ARS 7,003 per month per employee being exempted. Employers must also make contributions in respect of labor risk insurance and life insurance.

**Social Security Contributions Paid By Employees:** Employees contribute 14% of wages to social security and 3% of wages to the national health care scheme.

## Intellectual Property

### National Organisations

The organisation in charge of trademark and patent protection in Argentina is the [National Institute for Industrial Property \(INPI\)](#). The organisation in charge of intellectual property is the "Registro Nacional de la Propiedad Intelectual" (the National Register of Intellectual Property). Other organisations are also involved in intellectual property include the: [Ministry of Justice](#), [National Directorate of Royalties](#), [Argentine Society of Authors and Composers \(SADAIC\)](#), [General Society of Argentine Authors \(Argentores\)](#), [Argentine Association of Interpreters \(AADI\)](#), Argentine Chamber of Producers and the Argentine Chamber of Music Editors (CAEM).

Argentina has signed the [Paris Convention for the Protection of Intellectual Property](#), but is not a signatory to the [Patent Cooperation Treaty \(PCT\)](#). A company wishing to use a patent is obliged to make a direct request in Argentina within a maximum time limit of one year after the registration of the initial request.

### Regional Organisations

Each of the member states of Mercosur has its own body (or bodies) tasked with protecting intellectual property rights; however, the [Mercosur Standardisation Association](#) is working on fostering cooperation among these institutions to achieve harmonisation within Mercosur.

### International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

## TAX RATES

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### Consumption Taxes

#### Nature of the Tax

Impuesto al Valor Agregado or IVA (Value Added Tax or VAT, in English)

#### Tax Rate

The general VAT rate stands at 21% and is charged on the net price of transactions. Certain public services such

as electricity, water, and sewage disposal or telecommunications companies are subject to an increased rate of 27%.

### **Reduced Tax Rate**

A reduced VAT rate of 10.5% applies to interest and commissions on loans made by banks; sale, preparation, manufacturing or construction and final import of certain capital assets; long-distance passenger transportation (more than 100 km); sale or import of newspapers and magazines.

Exports of goods and services are treated as zero-rated transactions, with the input VAT that can be used as a credit against output VAT or refunded following a special procedure.

From 1 January 2023, the VAT rates applicable to editorial production; renting advertising space in newspapers, magazines, and periodicals; and online news portals are amended based on the VAT taxpayer's sales (excluding VAT) of the previous 12 months. The relevant rates are (i) 2.5%, (ii) 5%, (iii) 10.5%, and (iv) 21% for prior year VAT exclusive sales of (i) ARS 250 million or less, (ii) more than ARS 250 million but not exceeding ARS 500 million, (iii) more than ARS 500 million but not exceeding ARS 1,000 million, and (iv) more than ARS 1,000 million.

### **Other Consumption Taxes**

Import duties vary between 0% and 35%. Excise duties apply to tobacco, wines, soft drinks, spirits, gasoline, lubricants, insurance premiums, automobile tyres, mobiles services, perfumes, jewellery, and precious stones. From 1 January 2021 through 31 December 2025, a 19% tax applies to certain electronic products (9.5% on products manufactured by companies benefitting from the incentive provided by the Tierra del Fuego province).

Export duties are imposed on goods with rates varying according to the type of goods. Furthermore, a 30% solidarity tax applies on all purchases of foreign currency by Argentine individuals for investment purposes, or by companies and individuals for payment of foreign expenditure (e.g. travel and accommodation, foreign digital services for personal use). As from 13 October 2022, the scope of the tax was extended to cover the acquisition outside Argentina (or within Argentina if provided by a nonresident) of personal, cultural, and recreational services (other than educational services), and the importation of certain luxury goods.

## **Corporate Taxes**

### **Company Tax**

#### **Tax Rate For Foreign Companies**

The permanent establishment has been defined according to OECD's model. A company is deemed resident if its centre of activity (i.e. the location of a company's economic activity or management activity) is within the country.

The Argentinian legislator broadened its content to include also the performance of services by a non-resident provider, including services rendered by consultants, within the national territory, for a total length greater than six months within any 12-month period.

### **Capital Gains Taxation**

Most capital gains are included in taxable income and taxed at the normal corporate income tax rates. Gains derived from the transfer of shares, bonds, and other securities are subject to tax at regular CIT rates (25% to 35%). Gains derived by a non-resident from the sale of equities of an Argentine corporation or other participation in the capital of an Argentine entity that is not publicly traded are subject to an effective rate of 13.5% on gross proceeds or a 15% income tax on the net gain if the seller's tax cost basis can be duly documented for Argentine

tax purposes.

The sale of corporate bonds placed by public offer, government bonds and notes issued by financial trusts are generally exempt (conditions apply).

### **Main Allowable Deductions and Tax Credits**

Expenses are deductible if incurred for obtaining and preserving taxable income, as well as for taxes paid, depreciation or amortisation, reserves, wages and donations of up to a maximum of 5% of net taxable profits. Depreciation of automobiles whose original cost exceeds ARS 20,000 is not deductible. Related expenses (gasoline vouchers, insurance, rentals, repairs and maintenance, etc.) are deductible up to an amount of ARS 7,200/automobile/year. Directors' fees are deductible if they are approved and accessible to the director before the tax return's due date or in a subsequent payment year. The deductible amount is either 25% of the after-tax profit or ARS 12,500 per individual, whichever is higher.

R&D expenditures (for the development of intangible assets) may be deducted when they are incurred or amortised over not more than five years, the same as for start-up expenses. Bad debts can be deducted only in specific cases (like bankruptcy or prescription) and if supporting documentation is provided. Representation expenses are deductible up to 1.5% of the amount of salaries accrued during the fiscal year.

Net operating losses may be carried forward for five years, whereas loss carrybacks are not allowed. Foreign-source losses must be offset against income from similar sources.

All deductions are subject to review by the tax authorities.

### **Other Corporate Taxes**

Sales taxes are levied at the jurisdictional level, generally at a rate of 3% to 5% of gross revenue from the sale of goods and services. Higher rates may be imposed on certain services in some provinces. Industrial activities usually are exempt or subject to lower rates (between 0 and 2%). Jurisdictions also levy a real estate tax, with rates varying according to the location and the property's fiscal value.

A financial transactions tax of 0.6% is levied on deposits and withdrawals in current accounts; as well as a 1.2% tax on any transactions made in a bank without using a bank account. 33% of the aforementioned taxes are creditable against profits tax and minimum notional income tax and/or respective tax advances.

Stamp duty of 1% is levied on the formal execution of public and private instruments including contracts, notarial deeds and promissory notes. Special rates of 0.5%, 1.2%, 3%, and 3.6% apply in certain cases.

An annual wealth tax is levied on the shares or holding in the capital of local companies owned by individuals or undivided estates domiciled in Argentina or abroad, and/or companies and/or any other type of legal person domiciled abroad. The tax rate is 0.5% of the value of the participation. Such tax does not apply to foreign companies' branches in Argentina.

Employers contribute to the national unemployment fund, family allowances fund, and social services institute for pensioners at a unified rate of 18% (20.4% for companies who mainly render services or commerce and are above the SME's threshold); plus 6% for the social health care plan. Argentine employers are exempt to pay social security contributions for the first ARS 7,003.68 per month/employee (plus an additional allowance of ARS 10,000 for small employers with no more than 25 employees). The exempt amount is increased to ARS 17,509.20 for employers in the textile, leather goods, agricultural industries, and healthcare services sector. Employers must also contribute to the labour risk insurance (ARS 173 per month plus a percentage of the employee's salary according to the sector of activity), as well as to a life insurance fund (ARS 37.21 per month).

### **Other Domestic Resources**

Federal Administration of Public Revenue (AFIP)

### **Double Taxation Treaties**



## Countries With Whom a Double Taxation Treaty Have Been Signed

### List of Double Taxation Treaties

#### Withholding Taxes

Withholding tax rates are:

- Dividends: 0% resident company - 7% resident individual, non-resident company and non-resident individual
- Interest: interest paid to resident companies and individuals exceeding a specified monthly threshold is subject to withholding tax at the local level at various rates depending on the payee - 15.05%/35% non-resident company/individual
- Royalties: royalties paid to resident companies and individuals exceeding a specified monthly threshold are subject to withholding tax at the local level at various rates depending on the payee - 17.5%/28%/31.5% non-resident company - 12.25% (copyrights)/17.5% (film and television, image or sound)/28% (patent)/31.5% non-resident individual