



Argentina-UK double tax treaty benefits

The purpose of this document is to bring a quick summary for UK companies about the Argentinean basic direct taxation issues and the way that Argentina-UK double tax treaty may help to mitigate the taxation for activities performed in Argentina.

Argentinean basic tax framework

Income Tax

- this tax is levied at 35% on the income earned by companies located in Argentina
- the subsequent dividend distribution is exempt from additional taxes, always provided that the amount distributed does not exceed the income subject to income tax. If there is an excess, this will be levied at a 35% withholding tax
- to assess the tax, it is permitted to deduct all necessary expenses to obtain, maintain and conserve taxable income
- non-residents are only obliged to pay tax to the extent that they are engaged in activities considered by Argentine legislation as “Argentine-source” (performing activities within the national territory)
- companies abroad are not considered Argentine residents for tax purposes,

unless they carry out activities through a “permanent or stable establishment” in Argentina

- being a related parties transaction, the Argentinean transfer pricing rules will apply, and Proteus should prepare a transfer pricing analysis (on annual basis) in order to demonstrate that charges were fixed on an arm length basis.

Tax withholdings applicable to foreign beneficiaries

In accordance with the Argentine Income Tax Law, the withholding rates applicable for technical assistance and interests are:

- 21% in the case of technical assistance or consulting qualified as not obtainable in Argentina in the judgment of the authority competent in Technology matters and to the extent that the respective contract be duly registered
- 31.5% in all other cases
- 28% in case of royalties
- 15.05% over interests on banking loans (if the Bank is not settled in a tax heaven)
- 35% on interests payment, in case of inter-company loans.

However, as we will see below, the aforesaid withholding rates could be substantially reduced by application of the Treaties to avoid double taxation.

Tax Treaty with UK

Permanent establishment

According to Article 5 point 3 paragraph b) “the rendering a services for an enterprise, including consulting, by employees or subcontractors for a period or periods that exceed 6 month within a period of 12 month, will constitute a permanent establishment form this enterprise within the country”.

That means that a UK company would send perform activities for 6 month in Argentina without opening a company in the country.

Management fees. Technical assistance

In this specific case section 12 of the Treaty to avoid double taxation with UK provides the following reduced rates:

- 10% of the gross amount paid for the use or concession of using a patent, manufacturers’ brand or trade mark, design or model, plan, formula or secret procedure, or for the use or the concession of use of an industrial or scientific equipment or for the information related to industrial or scientific experience, in which the payments for technical assistance rendered are included
- 15% of the royalties in the remaining cases.

To be granted the smaller differential rate that the Treaty provides, it is necessary to obtain a certificate from the UK Tax Authorities according to a specific form.

Interests

For inter-company loans, the withholding tax rate would be reduced up to 12% rate-

Dividends

If applicable due to the rules mentioned, before the withholding tax applicable on dividends payments to the shareholder could be reduced up to 10% (if the shareholder holds more than 25% participation) or 15% on the remaining cases.

Other Incomes

Under certain circumstances other kind of income could be subject to 0% withholding tax if certain requirements are met.

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