ARGENTINA

Doing Business Guide

OUR FIRM

RCBM is an accounting, audit, tax and business consulting firm based in Buenos Aires, Argentina and has a branch office in Carrollton, a city in the Dallas – Ft. Worth Metroplex area (Texas, United States).

The partners have over 25 years' experience in the field. RCBM was incorporated in 1998 and since then it has grown steadily on the basis of an intense activity in various business niches, new partners that have contributed their technical expertise in the different areas of specialization, and in the formation of a work team that is committed to the achievement of our objectives.

Our firm built a successful record in providing business consulting to firms in Argentina who look to expand their horizons beyond borders and to foreign firms seeking opportunities in South America.

Our mission is to develop a long lasting relationship with our clients, based on high quality services that will enable them to achieve their goals and will be mutually beneficial. To this end, we pursue our project with the knowledge and prestige of big accounting firms, the flexibility of the solutions offered by medium size firms, and the personalized care of sole practitioners.

RCBM is a member firm of **INTEGRA INTERNATIONAL®**, an interactive global association of local independent owned accounting, audit, tax and business consulting firms dedicated to exchanging information and advising growing businesses and professionals. Members offer expanded professional services to their clients, including meeting their national and international needs.

Each firm has partners experienced in advising clients engaged in international business as well as local. Particular importance is placed on bridging cultural and linguistic differences between negotiating parties, a vital catalyst for a successful transaction.

Our great involvement in the activities of **INTEGRA INTERNATIONAL®** has converted our firm into a regional leader and a usual contact when firms look for help in or information about Latin America.

WHAT CAN WE DO FOR YOU?

Two paradigms are widely spread among the business community and social organizations: that only a large consulting firm has skilled resources to provide knowledgeable advice or services to their clients and that only large corporations or not-for-profit organizations can afford this type of services. **RCBM** eliminates these misconceptions.

We meld the experience held by large firms with the flexibility of solutions provided by mid-size firms and the close contact with owners and staff of an organization that small firms or sole practitioners may offer. On the other hand, **RCBM** provides affordable services by charging reasonable fees and maximizing the client's cost/benefit equation.

We will assist our clients and will work in a collaborative approach with their teams to help them accomplish their goals. We always strive to be proactive and innovative and to deliver our expertise and accountability to our clients: you may expect nothing more but nothing less.

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OVERVIEW

This **DOING BUSINESS GUIDE** is prepared to help those interested in doing business in Argentina. Although it does not cover exhaustively the items, is intended to answer some questions that may arise.

Our firm is happy to discuss matters arising from this information paper, as well as any other issues relating to your business affairs. When specific problems occur in practice, it will be necessary to obtain appropriate accounting, tax and legal advice. You should consult our firm, before taking any decisions based on the matters discussed herein.

The material contained in this guide corresponds to laws, regulations, decision and other statistical information available as of December 31, 2013, unless otherwise indicated. Although the information contained herein has been compiled with utmost care, no responsibility is taken for the contents of this booklet and the authors and editors decline any responsibility.

References to US Dollars will be US$ and AR$ to Argentine Pesos.

ENTITIES

Argentine Business Companies Law No. 19,550 ("Law No. 19,550") [*Ley de Sociedades Comerciales*] recognizes different types of legal entities *("personas jurídicas" o "personas de existencia ideal"*). The usual types of legal entities are corporations *("sociedad anónima")* and limited liability companies *("sociedad de responsabilidad limitada")*.

Foreign legal entities are entitled to conduct business in Argentina by either registering an Argentine branch or incorporating a corporation or a limited liability company.

Foreign legal entities can become shareholders of Argentine corporations or quotaholders of Argentine limited liability companies. In order to achieve this goal, foreign legal entities shall be registered with the Public Registry of Commerce.

1. Argentine Branch of Foreign Legal Entity

To establish a branch, a foreign legal entity must appoint an attorney-in-fact, who shall apply to the Public Registry of Commerce *("Registro Público de Comercio") ("PRC")* for registration purposes. Usually, it may take four weeks to register a branch with the PRC, provided the application contains the following documents:

a. Certified copy of the articles of incorporation of the foreign legal entity

b. Certificate of good standing of the foreign legal entity.

c. Certified copy of the bylaws of the foreign legal entity.

d. Certified documentation evidencing that the foreign legal entity is permitted to conduct business in the place where it was incorporated or registered.

e. Certified documentation evidencing that the foreign legal entity meets at least one of the following conditions:

   i. It has one or more branches or permanent representations registered or incorporated outside the Argentine Republic;

   ii. It holds equity holdings or interests in companies incorporated or registered outside the Argentine Republic that are regarded as noncurrent assets, as defined by the generally accepted accounting principles; or

   iii. It owns fixed assets in its place of incorporation or registration, the existence and value of which shall be evidenced pursuant to generally accepted accounting principles.

f. Certified abstract of the minutes of the board of directors' meeting (or similar) approving the establishment of the branch.

g. Power of attorney authorizing the attorney-in-fact to register the branch.

h. Broad power of attorney authorizing an individual (i.e., the local manager) to manage the branch.

Documents specified in (f) - (h) above must be notarized. All of the documents specified in (a)-(h) must be "legalized" either through the appropriate Argentine consulate and the Argentine Ministry of Foreign Affairs or through an *Apostille*, a procedure contemplated by The Hague Convention of 1961.

Once in the Argentine Republic, such documents must be translated into Spanish by a certified translator whose signature must be legalized by the Argentine Association of Certified Translators *("Colegio de Traductores Públicos").*

A foreign legal entity does not need to assign corporate capital to its branch unless the branch is engaged in certain specific activities (e.g., insurance). Although the foreign legal entity is liable for the obligations of the branch, in case that the branch has a negative net worth situation the PRC grants a period of 90-180 days to repair such situation.

2. Argentine Corporations

A corporation *("sociedad anónima")* must have at least two shareholders. Law No. 19,550 does not require the shareholders to own a minimum percentage of shares. Nevertheless, from a practical standpoint, the PRC is of the opinion that the minority shareholder of the corporation must own a minimum interest in the company to be considered a real shareholder

(for instance, 10% of the total of the shares) and avoid 30% withholding (for a year and without interest) of any funds transferred to the corporation.

Generally, the shareholders are not liable for corporate debts and obligations beyond the total amount of their capital subscriptions.

Currently, a corporation must have a capital of at least AR$ 100,000. Nevertheless, according to the PRC, the corporate capital must be proportional to the corporate purpose. Capital must be divided into nominative shares of equal par value. Shares may be common or preferred. All shares must have been subscribed for prior to formal incorporation of the corporation. Upon incorporation, the shareholders shall have made all of their paid-in contributions in kind and at least 25% of their contributions in cash. The remaining cash contributions must be paid within two years counted as from the incorporation date.

The Board of Directors is in charge of the management of the corporation. It makes decisions and carries them out. The board of directors may consist of one or more directors. Directors can be either Argentine individuals or foreigners. In all cases, the absolute majority of the directors must actually be domiciled in Argentina. All directors, whether or not domiciled in Argentina, must establish a "special domicile" within Argentina.

The by-laws of the corporation may provide for a statutory auditor *("síndico")*, who must be a lawyer or an accountant domiciled in the Argentine Republic. Such a statutory auditor is mandatory if the capital of the corporation exceeds AR$ 10,000,000.

3. Argentine Limited Liability Companies

A limited liability company *("sociedad de responsabilidad limitada")* must have at least two shareholders. As regards percentage of quotas that each quotaholder can own please see comments under point 2 above.

As in the case of a corporation, liability of the partners or quotaholders (capital stock in limited liability companies is divided into "quotas") is limited to the amount of their capital contributions in the Company, with a few exceptions.

There are no capital requirements for a limited liability company but the capital must be deemed "reasonable" for conducting the company's business activities. The capital must be divided into quotas of equal par value.

A limited liability company is managed by one or more managers who may be partners or not. Managers have the same rights and duties as the directors of a corporation. They may be appointed for a fixed or indefinite term. If more than one manager is appointed, the by-laws must provide the manner in which they shall exercise their powers, i.e., individually, alternatively, indistinctly or as a body (in such a case, the corporation's rules on quorum and majorities apply).

Managers are empowered to accomplish the corporate purpose provided in the by-laws. However, managers cannot undertake those powers exclusively granted by law to the partners, i.e., to amend the by-laws. The absolute majority of the managers must actually reside in Argentina.

The by-laws of the limited liability company may provide for a statutory auditor *("síndico"),* who must be a lawyer or an accountant domiciled in the Argentine Republic. Such a statutory auditor is mandatory if the capital of the corporation exceeds AR$ 10,000,000.

4. Registration with PRC of Foreign Legal Entity

As mentioned above, foreign legal entities can become shareholders of Argentine corporations and quotaholders of Argentine limited liability companies, provided they are previously registered with the PRC.

Basically, foreign legal entities applying for registration with the PRC shall comply with the following two requirements: (a) to perform significant economic business activity outside Argentina, and (b) not to be restricted to develop its businesses in its place of registration.

Significant Economic Business Activity. The PRC sets forth that significant economic business activity outside Argentine is evidenced by means of one of the following conditions:

a. The foreign legal entity has one or more branches or permanent representations registered or incorporated outside Argentina. Compliance with this condition must be evidenced with a certificate issued by the appropriate governmental authority at the place of incorporation or registration of the foreign legal entity's branches or

permanent representations (i.e.: Secretary of State or the appropriate authority of the place of incorporation or registration of foreign legal entity's branches or permanent representations).

b. The foreign legal entity owns (a) equity participations or interests in companies incorporated outside Argentina that are regarded as non-current assets (as defined by generally accepted accounting principles), and/or (b) fixed assets outside Argentina (property used for production of goods and services, such as plant and machinery, buildings, land, and mineral resources); evidenced by filing either its last financial statements or a certification arising from entries made on the corresponding accounting books. The documents used to evidence this condition must also inform the value of the shares or interests of the foreign legal entity in those companies registered outside Argentina and their percentage in their capital stock. This certificate can be issued by either a certified public accountant or a duly authorized officer of the foreign company.

Restriction to develop businesses in its place of incorporation. The PRC sets forth that foreign legal entities restricted from developing their businesses activities in their places of incorporation (off-shore companies) shall not achieve registration unless such foreign legal entities fall within the concept of "vehicle of investment".

A foreign company will be considered a "vehicle of investment" when it is controlled by another company which is able to conduct significant economic business activity outside Argentine, as per the requirements described above.

Despite the compliance with the two requirements mentioned above, it is worth pointing out that, the PRC will require additional documents to foreign companies registered in low or null taxation, or not cooperating with the fight against money laundering and transnational crime that wish to act as shareholders of Argentine corporations and/or quotaholders of Argentine limited liability companies.

TAXATION

Income Tax

1. SOURCE OF INCOME RULES

The Income Tax Law (Law No. 20,628/73, as amended) and its regulations apply to all global-source income of individuals living in the Argentine Republic and Argentine corporations, branches or other permanent establishments of foreign entities located in the Argentine Republic, and to all local-source income of foreign beneficiaries.

Broadly defined, local-source income is income derived from assets situated in the Argentine Republic or activities carried out in the Argentine Republic. Individuals and corporations subject to tax on global-source income are entitled to credit for similar taxes paid abroad, the amount of which may not exceed the increase in Argentine income tax payable as a consequence of including the foreign-source income in the taxable base.

2. EXPORTS – IMPORTS

Profits arising from the export of goods produced, manufactured or extracted on Argentina are totally Argentine source income.

Profits obtained by foreign individuals and corporations from the export of goods into the Argentine Republic are foreign-source income of the foreign exporter.

Where these operations are entered into by related companies, the arm's length principle shall apply.

This principle is defined in the Income Tax Law as conditions adjusted to the normal practices of the market between independent entities. In order to demonstrate that the transactions are at arm's length, the taxpayer must prepare a transfer pricing study and submit it, together with information returns, to the Federal Revenue Service annually.5 Import and/or export operations entered into by related parties shall be adjusted by the Federal Revenue Service where the prices and conditions of such transactions are not adjusted to normal practices of the market between independent entities.

If these operations are entered into with companies having domicile in, or constituted in accordance with, or located in low tax jurisdictions, they will not be considered entered into market conditions; thus, transfer pricing rules will apply.

Where international prices – of public and notorious knowledge – exist for imported and/or exported goods, which may be established through transparent markets, commercial exchange markets and the like, said prices, in principle, shall be used in determining the net income of Argentine source.

Where import and/or export operations made between independent parties exceeds the annual amount of AR$ 1,000,000, the taxpayer (exporter or importer) shall submit the necessary information to the Federal Revenue Service in order to demonstrate that the declared prices are adjusted to market prices, including assignment of costs, profit margins and any other relevant information that the Federal Revenue Service may consider necessary for the audit of such operations. Import and/or export operations of goods considered as commodities carried out with unrelated parties must be also informed to the Federal Revenue Service, even if the annual amount of such transactions does not exceed the annual amount of AR$ 1,000,000.

The transfer pricing provisions of the Argentine Income Tax Law generally follows the OECD guidelines for Multinational Enterprises and Tax Administrations. Please note that transfer pricing rules are applicable not only in the case of companies which are related by means of capital interest but also when any other form of control not necessarily involving capital, such as an operative, contractual or management control, exists.

3. BRANCH

A branch is taxed at the rate of 35%, whether or not branch profits are actually distributed. A 35% withholding shall apply, after making certain adjustments, to the distribution of profits not subject to the 35% corporate income tax at the branch level.

4. CORPORATION AND LIMITED LIABILITY COMPANIES

Corporations and limited liability companies are taxed at the rate of 35%. A 35% withholding shall apply, after making certain adjustments, to dividend and revenue distributions corresponding to profits not subject to the 35% corporate income tax at the corporate level. Dividends are not included in the taxable income of Argentine recipients.

5. SELECTED TAX COMPUTATION RULES

A. LOSSES

Business organizations may generally deduct expenses and losses incurred for obtaining local-source income. Net operating losses ("NOLs") may be carried forward for up to five years.

B. DEPRECIATION

Fixed assets may be depreciated on a straight-line basis. The usual annual depreciation rate for machinery and equipment is 10%; for dies, tools and vehicles, 20%; and for buildings, 2%. In special cases, tax authorities may authorize higher depreciation rates.

C. TRANSACTIONS BETWEEN RELATED PARTIES

Special rules apply to deductions arising from transactions between an Argentine party and a foreign related party.

In the case of payments under the Transfer of Technology Law, an Argentine licensee may deduct royalty payments only if the corresponding license agreement has been registered with the INPI (see Section B, "Transfer of Technology," above) and if payments are supported by a transfer pricing study.

For other intercompany transactions, an Argentine taxpayer may deduct its expenses if the charges are consistent with arm's length practices supported by a transfer pricing study.

D. PRESUMED NET INCOME FOR FOREIGN BENEFICIARIES

Payments of income made to foreign beneficiaries are generally subject to 35% income tax withholding. For certain kinds of income, as described below, the Income Tax Law presumes a fixed level of net income to which the 35% income tax withholding rate applies, as follows:

KIND OF INCOME	PRESUMED INCOME	EFFECTIVE RATE
Amounts paid to foreign shipping companies for containerized transportation services	20%	7%
Contracts complying with the requirements of the Transfer of Technology Law: A. Amounts paid for technical assistance, engineering or consulting services B. Amounts paid for the assignment of rights or the granting of licenses on technology not falling within the preceding paragraph or licenses of patents or trademarks.	 60% 80%	 21% 28%
Interest on foreign credit: A. The borrower is an Argentine financial entity B. The borrower is an Argentine individual or legal entity, and the lender is a banking or financial entity that is subject to supervision by a specific banking supervising authority and not incorporated in a low tax jurisdiction or, if it is incorporated in a low tax jurisdiction, incorporated in a country which executed a treaty to exchange information with the Argentine Republic. Additionally, banking secrecy, exchange secrecy, and the like, should not be raised as an objection to a request for information by the respective tax authority. C. The borrower is an Argentine corporation (excluding banking financial entities) or individuals, and the lender does not meet the requirements mentioned in b) above.	 43% 43% 100%	 15.05% 15.05% 35%
Copyrights and intellectual property rights	35%	12.25%
Salaries, fees, and other compensations of expatriates domiciled in the Argentine Republic for no more than six months in the taxable year	70%	24.5%
Lease of personal property by a foreign lessor	40%	14%
Rent paid on Argentine realty	60%	21%
Transfer for consideration of assets located or economically used in the Argentine Republic but belonging to corporations registered or located abroad	50%	17.5%

KIND OF INCOME	PRESUMED INCOME	EFFECTIVE RATE
Any other payment to a foreign beneficiary not contemplated above	90%	31.5%

E. AGREEMENTS TO AVOID DOUBLE TAXATION (THE "AGREEMENTS")

The Agreements are executed to avoid overlapping of taxes among residents in two or more different Contracting States on the same taxable issue, within the same period, and charged against the same taxpayer.

Thus, they are intended to soften the tax burden on the taxable issue in a transaction between two residents of different Contracting States under the Agreements.

The Argentine Republic has executed and ratified Agreements with the following countries:

- Australia
- Belgium
- Bolivia
- Brazil
- Canada
- Chile
- Denmark
- Germany
- Finland
- France
- Great Britain and Northern Ireland
- Italy
- The Netherlands
- Spain
- Sweden
- Norway
- Russia
- Switzerland

On July 22, 2008, Argentina repealed the Income and Capital Tax Treaty entered into between the Republic of Argentina and the Republic of Austria. According to Ruling 6/2008 issued by the Argentine Tax Authorities on August 27, 2008, this Treaty has ceased to apply as from January 1, 2009.

In general, the Agreements ratified by the Argentine Republic are applied to taxes on income or revenue, shareholders' equity, and potential benefits.

In this sense, the Agreements prevail over the Income Tax Law; therefore, foreign residents will be benefited by the application of reduced rates established in the Agreement whenever they will make a payment subject to the tax withholding as already explained.

Value-Added Tax (VAT)

The Argentine VAT is similar to the European Union's VAT. It consists of an output tax and input tax levied on the sale of goods located within the country, contracts for work or contracts for the provision of services, or lease agreements executed within the country or in a foreign country, and imports of goods and services.

The excess of the output tax over the input tax must be paid within a certain period (e.g., 20 days from the end of each calendar month). There are exemptions to some products and services. The VAT is applied to the net price of the goods or services, generally at the rate of 21%. This rate is different in some specific cases (may be 10.5% or 27%).

Minimum Presumed Income Tax

The Minimum Presumed Income Tax ("MPIT") established by Law No. 25,063 is levied at a national level and is applied at the rate of 1% to assets located in the Argentine Republic or abroad. It is a tax generated on a presumption of income obtained by the taxpayer; this presumption is assessed in relation to the taxpayer's assets at the end of the calendar year for individuals or the fiscal year for corporations.

1. INDIVIDUALS AND CORPORATIONS SUBJECT TO THIS TAX

The following taxpayers are subject to the MPIT:

a. Companies domiciled in the Argentine Republic

b. Foundations and nonprofit organizations domiciled in the Argentine Republic

c. Permanent establishments of Argentine residents

d. Rural properties owned by Argentine residents and "*sucesiones indivisas*" (undivided estates of deceased persons)

e. Trusts, excluding financial trusts

f. Closed-end investment funds (*Fondos Comunes de Inversión cerrados*)

g. Permanent establishments domiciled or located in Argentina but belonging to companies or individuals domiciled abroad

2. TAX EXEMPTIONS

The following assets shall not be computed in calculating this tax:

a. Assets located in the province of Tierra del Fuego, Antarctica and South Atlantic Islands (in accordance with Law No. 19,640)

b. Assets belonging to entities engaged in mining investment activities falling within the scope of Law No. 24,196

c. Assets belonging to entities exempt from income tax in accordance with Section 20 of the Income Tax Law

d. Assets exempt by federal laws or international conventions

e. Shares and other kinds of participations in companies subject to this tax

f. Assets transferred by trustors, subject to this tax, to trustees of non-financial trusts

g. Interests in non-financial investment funds

h. Assets with an aggregate value not exceeding ARS$200,000

3. RELATED PARTIES

Law No. 25,063 establishes that foreign-owned Argentine companies should consider as computable assets, for minimum presumed income tax purposes, all credits against their parent company or individual owner, or any parent's branches, or those corporations that directly or indirectly "control" the former.

4. NON-COMPUTABLE ASSETS

The following assets, among others, should not be computed in the tax base:

a. The value of new movable properties subject to depreciation (except automobiles) during the fiscal year and the following year after they have been acquired.

b. The value of any investment in new buildings or improvements in previously built ones during the fiscal year in which such investment, whether totally or partially, are made, up to the following year.

5. TAX CREDIT AGAINST INCOME TAX

Income tax paid in a given fiscal year shall be credited against the tax liability arising from MPIT for the same fiscal year. If there is no income tax to pay, the payment on account of the MPIT may be carried forward against the income tax liability corresponding to the following 10 fiscal years.

6. FOREIGN TAX CREDIT

Taxpayers are entitled to compute, for the determination of their MPIT as tax credit, any tax levied and effectively paid upon their assets located abroad up to the increase in the MPIT deriving from the inclusion of such assets in the taxable base.

Personal Asset Tax ("PAT")

At the end of the calendar year (e.g., December 31), personal asset tax is levied at the national level and on all property owned by taxpayers located in Argentina and abroad.

Taxpayers of PAT are:

a. Individuals and sucesiones indivisas (undivided estates of deceased persons) domiciled in Argentina, for assets located in Argentina and abroad; and

b. Individuals and sucesiones indivisas (undivided estates of deceased persons) domiciled abroad, for assets located in Argentina.

For individuals and *sucesiones indivisas* (undivided estates of deceased persons) domiciled in Argentina, the PAT shall apply at the rate of 0.5% if the value of their computable assets per year is over AR$ 305,000 at the end of the calendar year but below AR$ 750,000; 0.75% if the value of their assets per year is over AR$ 750,000 at the end of the calendar year but does not exceed AR$ 2,000,000; 1% if the value of their assets per year is over AR$ 2,000,000 at the end of the calendar year but does not exceed AR$ 5,000,000; and 1.25% if the value of their assets is over AR$ 5,000,000. Equity holdings or interests in Argentine companies, however, are always subject to a 0.5% rate.

Individuals and *sucesiones indivisas* (undivided estates of deceased persons) not domiciled in the Argentine Republic and non-Argentine companies are subject to this tax at the rate of 0.5% on their equity holdings or interests in Argentine companies.

Individuals and *sucesiones indivisas* (undivided estates of deceased persons) not domiciled in the Argentine Republic are subject to this tax at the rate of 1.25% on their other assets located in the Argentine Republic, but only if such other assets are co-owned, possessed, administered, used, enjoyed, disposed of, deposited with or otherwise under the custody of an Argentine taxpayer. Should they not be co-owned, possessed, administered, used, enjoyed, disposed of, deposited with or otherwise under the custody of an Argentine taxpayer, no personal assets tax shall apply. A 2.5% rate (instead of the 1.25% rate) shall apply to unexploited urban real property owned by non-Argentine companies, among others.

In the case of equities or interest in corporate vehicles domiciled in Argentina, the 0.5% PAT should be determined and paid by the corporate vehicle as a substitute taxpayer on behalf of non-resident equity holders (individuals, estates or legal entities) and individual residents.

For the purpose of this tax only, individuals are considered as "domiciled in the Argentine Republic," *inter alia*, if they have their actual domicile in the Argentine Republic or, for expatriates, if they have resided in the Argentine Republic for more than five years. Individuals domiciled in the Argentine Republic are entitled to a credit for similar taxes paid abroad, the amount of which must not exceed the increase in the PAT as a consequence of including taxable assets located abroad in the taxable base.

Tax on Debits and Credits on Checking Accounts and Other Transactions

This tax shall be applied to the following:

a. All credits and debits made in any bank account, regardless of their nature, opened with entities governed by the Ley de Entidades Financieras (Financial Entities' Law)

b. All transactions carried out by entities mentioned in the previous paragraph, whose beneficiaries do not use the accounts specified therein, irrespective of the denomination given to the transaction, the methods applied to carry it out — including the payment in cash — and their legal implementation

c. c. All one's or third party's funds movements, even in cash, that any individual, including those falling within the scope of the Ley de Entidades Financieras (Financial Entities' Law), made on his or her own account or on account and/or in the name of any third party by any means, their denominations and legal implementation, including credit funds movements to establishments adhering to credit and/or debit card systems

The general tax rate is 0.6% for credits and 0.6% for debits. In those cases set forth in (b) and (c) above, the rate is 1.2%, except in certain cases.

Moreover, there are special tax rates for certain transactions performed by specific individuals.

Gross Receipts Tax

This is a provincial tax levied on the gross receipts of independent activities performed for profit. It is established by each of the Argentine provinces. In the city of Buenos Aires, for instance, the general rate for fiscal year 2012 is 3% (this rate may be increased depending on taxpayers' annual gross receipts).

Stamp Tax

The stamp tax is a local tax on documents that is usually applied at the rate of 1% (the rate vary depending on each local jurisdiction. In the City of Buenos Aires, the general rate is 0.8%) on any document or exchange of documents evidencing the creation, amendment or extinction of pecuniary rights or obligations. This tax is payable upon the local execution of what is considered a "taxable document" in each of the provinces. It also applies to a document having "effects" in a given province other than the one where it was executed. (Local "effects" refers to the acceptance, protest, or performance of the obligation or the filing of the relevant document with an administrative or judicial local authority for enforcement purposes.)

Municipality Fees

There are almost 1,000 municipalities in the Argentine Republic. These *"autonomous"* entities are empowered to set taxes (fees) as long as said taxes do not interfere with national or provincial taxes.

These fees are levied for certain services rendered by the municipalities, such as hygiene and security services. The gross receipts arising from the taxpayer's activities serve as the taxable base of these fees.

EMPLOYMENT AND LABOR LAW

Argentine law applies to employment within the Argentine territory, irrespective of the place where the contract was entered into.

1. HIRING

Unless otherwise agreed upon by the parties, the Employment Contract Law ("ECL") sets forth the presumption that an employment relationship is agreed for an indefinite term and with an initial "trial period" of three months.

During the trial period, the contract may be terminated without just cause and the employee is not entitled to the mandatory severance payments due upon dismissal without just cause. In case of termination during the three-month trial period, the employer must give a written notice 15 days before the termination date; failure to comply with this obligation entitles the terminated employee to receive a severance payment in lieu of such prior notice.

Indefinite-term employment contracts need not be evidenced in writing. The ECL, however, sets forth the rights and duties of both parties, along with the minimum benefits.

However, in certain cases, a written contract is required, namely:

a. Fixed-term contract: Its term may not exceed five years, and employers must have an extraordinary cause.

b. Temporary contract: This is executed to perform a specific piece of work or to provide a specific service whenever it is so determined by extraordinary circumstances.

c. Seasonal contract: This executed based on the kind of activity performed by the employee, who only provides his or her services at a specified time of the year.

d. Apprenticeship contracts: This is executed by students who meet certain requirements, for the purpose of learning a craft, trade or profession related to their career or studies.

Under the ECL, employers must register their employees' basic data (including hire date and remuneration) in a Special Payroll Book which must be registered with the labor administrative authority and is subject to periodical control by the Ministry of Labor. Failure to comply with said registration incurs severe fines.

2. EMPLOYEES' RIGHTS

Employees are entitled to receive:

a. Minimum salary: Employers and employees are free to agree on the salary (i.e., base and variable compensation, bonuses, stock purchase, stock options, fringe benefits). Certain limits apply, however; they may not agree on a salary that is below the minimum wage fixed by the Government, which as of January 2014 amounts to AR$ 3,600 per month (or AR$ 18 per hour).

b. Compensation set forth in the collective bargaining agreements: Salaries must be at least equal to the ones foreseen in the employee's category in the salary scales of the collective bargaining agreement, as applicable to the employer's activity. The collective bargaining agreements also set forth specific payments which are also mandatory, such as production awards, professional degree, second language, and seniority.

c. Equal pay: The rule "equal pay for equal task" applies. However, employers may pay incentives to employees who perform outstanding services.

d. Overtime pay: Regular employees (those who are subject to the mandatory rules regarding working hours) are entitled to overtime pay whenever they work in excess of the working schedule (which is 48 hours per week or 8 hours per day). Employees who work on an irregular daily schedule are entitled to overtime pay when they exceed 9 hours per day. Night work and hazardous work have reduced working schedules. Managers and directors are not subject to the mandatory rules regarding working hours and, subsequently, are not entitled to overtime pay.

e. Thirteenth Mandatory Salary: Employers must pay the so-called Sueldo Annual Complementario (SAC) or Thirteenth Mandatory Salary in two semi-annual installments: one on June 30 and the other on December 31 of each year. The amount of each installment is equivalent to 50% of the highest remuneration earned by the employee in the relevant semester.

f. Paid leaves: Employees are entitled to paid vacation leave that ranges from 14 to 35 calendar days, depending on the employee's seniority.

g. Employees are also entitled to pay sick leave that ranges from 3 to 12 months, depending on the employee's seniority and family responsibilities (e.g., minor children in charge of employee).

h. Finally, employees are entitled to enjoy holidays and special leaves as set forth by the ECL or as specified in the collective bargaining agreement.

i. Life insurance: Employers must hire and pay the collective life insurance premium for the benefit of their employees. Collective bargaining agreements may establish mandatory additional coverage.

j. Labor risks insurance or workers' compensation insurance: Employers must hire and pay insurance premium covering labor diseases and accidents with a private and authorized Aseguradora de Riesgos de Trabajo (ART) (Labor Risk Insurance Company).

k. Medical assistance provided by health care organizations or providers (Obras Sociales): The coverage is paid for by the public social security system through the contributions of employees and employers. Blue-collar employees are entitled to choose from a list of health organizations managed by trade unions, while white-collar employees (in certain situations) are entitled to choose from a list of health organizations managed by executives.

l. Subsidies: Family allowances and unemployment subsidy are supported by the social security system through the contributions of employees and employers. Family allowances include a three-month paid maternity leave, and the unemployment subsidy may extend to one year of monthly payments (provided the respective beneficiary meets the requirements set forth in the Law).

m. Severance pay: Employees are entitled to severance pay upon their dismissal without just cause, death or total disability, upon the employer's bankruptcy or due to force majeure or employer's crisis.

3. SMALL COMPANIES

In the Argentine Republic, certain small and medium sized companies known as "PyMEs" (*Pequeñas y Medianas Empresas"*) are subject to a specific regulation and receive a particular treatment from the authorities. Upon fulfillment of the corresponding legal requirements, the PyMEs may be entitled to benefits in specific areas (e.g., government subsidies for credits, preference in public bids).

Argentine Law No. 24,467 specifically regulates the employment relationships in the so-called "Small Companies" (*Pequeñas Empresas*). Pursuant to said Law, Small Companies are those with less than 40 employees and a maximum annual billing that will depend on the type of activity that it carries out.

4. TERMINATION

A. PROCEDURE

The employer and/or the employee may terminate the employment relationship by or upon:

- mutual consent;
- employee's resignation;
- employer's dismissal, with or without just cause;
- employee's death or total disability;
- employee's retirement;
- employer's bankruptcy; or
- expiration of an agreed fixed term of employment.

When employees are dismissed without just cause, in addition to the accruals (i.e., wages for worked days during the month of termination, proportional compensation for accrued and non-enjoyed vacations, and accrued thirteenth mandatory salary), employers must pay a mandatory package consisting of severance payment based on seniority and, if no prior written notice was given, severance pay in lieu of prior termination notice.

The employer may terminate the employment relationship with just cause when the employee commits a serious offense against him or her. The activities or actions that may be considered offensive or prejudicial to the employer are evaluated on a case-by-case basis and determined in accordance with the general principles of law and legal precedents. The employer must provide the employee with a written explanation of the cause of termination. The employee may object to the termination grounds by filing a legal action in court, and the employer bears the burden of proof.

Employees may also terminate the employment contract with just cause (constructive dismissal).

When an employee is dismissed with just cause or resigns, or when the parties agree to terminate the employment relationship by mutual consent, the employer only has to pay the accruals (i.e., wages for days worked during the month

of termination, proportional compensation for accrued and non-enjoyed vacations and accrued thirteenth mandatory salary and shall not make any other mandatory severance payments (i.e., severance pay based on seniority, severance payment in lieu of prior termination notice).

Employers may reduce the mandatory severance payment package by paying 50% of the severance pay based on seniority in case of justified redundancies, by proving "force majeure," "lack or reduction of work," or "economic or technological reasons" not attributed to the employer, unforeseen or beyond the employer's control. In such a case, layoffs must be carried out in order of seniority.

Case law has made it very difficult, however, to allege that the situation was unforeseen or beyond the employer's control, stating that employers are the ones who must bear the risks of their business and the severance cost of terminating a relationship.

Massive layoffs must comply with a special procedure before the labor authorities, in the presence of the trade union, and the employer must give evidence of the critical situation. In such cases, the parties (the employer and the trade union) may agree upon a reasonable severance pay package which the Ministry of Labor must evaluate and eventually approve. Employees may challenge the reduced severance payment package when they do not agree to a settlement (labor courts usually accept such claims).

In all cases, employers are free to make additional payments (over and above the minimum and mandatory severance payments) to the terminated or resigning employee. These additional payments are bonuses subject to income tax withholdings, but exempt from social security contributions, because they are considered extraordinary and exceptional bonuses (i.e., paid only upon termination of the employment contract).

B. MANDATORY SEVERANCE PAY BASED ON SENIORITY

The employer must pay a mandatory severance pay based on seniority, equivalent to one gross highest monthly and normal salary for each year of service, or a fraction thereof (in excess of three months).

In no event may the said mandatory severance pay based on seniority be lower than one actual gross monthly salary.

For purposes of calculating this compensation, the highest monthly and regular salary of the last year has a statutory ceiling. It may not exceed three times the average of the total remuneration set in the applicable collective bargaining agreement. If more than one collective bargaining agreement is applicable to the activity of the employer, the one most favorable to the employee shall be applied.

This ceiling is applicable to unionized and non-unionized employees.

However, please note that on September 14, 2004, the Supreme Court of Justice ruled in the case "*Vizzoti, Carlos A. vs.AMSA S.A. re. dismissal*" a new criterion for calculating the base salary to be taken into account when estimating the mandatory severance pay based on seniority. Pursuant to this ruling, the statutory ceiling may not reduce the employee's highest salary by more than 33%.

Therefore, the base salary used as a factor may not be lower than 67% of the highest monthly and regular salary earned by the employee during the last year of employment. This base salary must be multiplied by each year of service or a fraction thereof (in excess of three months).

This payment is not subject to any taxes or social security contributions or withholdings.

The Supreme Court of Justice of Buenos Aires Province has ruled that employers who terminate without cause within the Buenos Aires Province jurisdiction must also pay a thirteenth mandatory salary on this amount.

C. SEVERANCE PAYMENT IN LIEU OF PRIOR TERMINATION NOTICE

Absence of a prior written termination notice entitles employees to claim severance payments, as follows:

a. Employees dismissed during the three-month trial period are entitled to half of a monthly salary.

b. Employees with less than five years of seniority are entitled to one monthly salary.

c. Employees with more than five years of seniority are entitled to two monthly salaries.

In addition, employers must pay the salary for the days remaining in the month in which the termination occurred (balance salary for the month of termination). The employer must also pay the proportion of the thirteenth mandatory salary on this item, which is an additional 1/12.

The mandatory severance payment in lieu of a prior termination notice and the balance salary for the month of termination, are not subject to social security contributions or withholdings, but are subject to income tax withholdings.

D. PROTECTED CATEGORIES

The legislation protects certain categories of employees in a different way.

Pregnant, new mothers and newly married employees who have been dismissed without just cause are entitled to an additional severance indemnity payment equal to one year of their salary.

Union representatives may not be terminated. The employer may not change their work conditions without any just cause within one year after the end of their representation. The employer must follow a special procedure before the labor courts in order to dismiss a union representative with just cause. If the procedure is not followed, the representative may choose between being reinstated to his or her job or receiving, apart from the mandatory severance pay package, an additional severance pay equal to the total salary he would have received up to the end of his or her representation period, plus salary for one additional year.

According to Antidiscrimination Law No. 23,592, employees dismissed on the grounds of discrimination because of their race, religion, nationality, ideology, political or union opinion, sex, and financial, social and/or physical condition may request their reinstatement or any other measure to remove the effect of the discriminatory act or to cease the discriminatory act by means of summary proceedings according to Section 43 of the National Constitution.

Discriminated employees who are reinstated are entitled to back wages. Employees also have the option to terminate the employment contract with cause and claim mandatory severance payments from their employers under constructive dismissal. Under the provisions of the Civil Code, adversely affected employees may also claim compensation for pain and suffering or for emotional distress.

Employees who are not properly registered in the employer's payroll are entitled to additional amounts that will increase the mandatory severance package considerably.

The other instances in which employers are obliged to give additional pay include breach of a fixed term employment contract; lack of payment of the mandatory severance package in due time; failure to provide employment certificates in due time; and those involving traveling salespeople.

5. COLLECTIVE BARGAINING AGREEMENTS (CBAS)

The Law governing CBAs rules that collective parties (i.e.: the pertinent board or chamber representing employer of the pertinent sector and the legally recognized labor union representing the employees of said activity or craft) may negotiate the scope and applicability of the CBA based on:

a. the employer's industry (car manufacturing);

b. jobs within an industry (supervisors);

c. the worker's job duties (traveling salespeople); or

d. the Company (all workers of Company "X").

Under this Law, companies may not freely operate a union. Almost all industries and activities already have a trade union that collectively represents the employees.

Unless previously agreed upon in the CBA, executive or senior employees and managers are not subject to CBA provisions or to union representation. However, employees who do not qualify as executive or senior employees or managers are subject to the CBA and union representation.

Employees may freely become members of a union or opt out of it, but the trade union will still maintain collective representation.

The Ministry of Labor must approve the CBAs. If such approval is obtained, CBAs are binding not only to members of the trade unions and employers' associations that are parties to them but also to all workers and employers in the particular activity or industry involved. To secure compliance with the agreements, workers must be represented by recognized (acknowledged) trade unions.

CBAs could impose additional contributions for the trade union that negotiated the agreement.

6. COLLECTIVE DISPUTES

The Law governing Collective Disputes sets forth that the Ministry of Labor may summon the parties to settle a collective dispute. During the period in which the Ministry is intervening in the dispute, the parties may not take any direct action. The Labor Ministry is empowered to direct the parties to retract any measures that may have caused the dispute.

If during the appropriate period the parties do not agree to a settlement or to arbitration, they are free to take whatever legal action they deem suitable, including direct action (e.g., strike, lockout).

7. SPECIAL LAWS

Several laws have been passed to regulate the activities of various categories of employees. The most important of them include the activities of traveling salespeople, seamen, home-based workers, agrarian workers, professional journalists, private teachers, and domestic workers.

8. SOCIAL SECURITY REGULATIONS

Employees' salaries are subject to social security payments. Employer's contributions depend upon their activity: (a) 27% if the employer's principal activity consists in the provision of services or in commercial activities (excepting employers included in Laws 23551, 23660, 23661 and 24467) and the invoiced amount exceeds ARS$48,000,000; and (b) 23% for the rest of the employers not included in the section.

Employees' contributions to the retirement system amount to 17%, including Retirement Fund, Medical Benefits for Retired Employees, Health Care Insurance and Medical Coverage.

Contributions to the social security system are in accordance with this chart:

CONCEPT	EMPLOYEES' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	
		(1)	(2)
Retirement and Pension (Law 24,241)	11%	12.71%	10.17%
Medical Benefits for Retired Employees (Law 19,032)	3%	1.62%	1.50%
Family Allowances (Law 24,714)	0%	5.56%	4.44%
Unemployment Fund (Law 24,013)	0%	1.11%	0.89%
Public Health Insurer (Law 23,660) Medical Coverage (Laws 23,660 and 23,661)	3%	6%	6%
TOTAL	17%	27%	23%

(1) Commerce and Services that invoice more than AR$ 48 million
(2) Remaining activities

For the purpose of calculating the social security contributions paid by employees, there is a "legal ceiling" or "legal cap" (maximum amount) to be applied to the employee's gross monthly salary.

Currently, this legal ceiling is periodically adjusted. As of October 2013, the legal ceiling is AR$ 28,000 per month, for all applicable contributions (retirement and pension, medical coverage and medical benefits for retired employees). This amount is revised annually in March and then in September. The portion of the employee's monthly salary exceeding the legal ceiling is not subject to social security contributions.

As regards the contributions paid by the employers, the legal ceiling for the contribution to the mandatory workers compensation insurer known as ART is also ARS 28,000. For purposes of calculating any other employer's social security contribution, no legal ceiling applies.

Due to a modification, the retirement and pension fund system has unified under the public regime.

Contributions of employees and self-employed individuals finance the benefits (an earnings-related disability pension and an earnings-related death benefit). The amount of the earnings-related retirement pension depends on the employee's earnings level during employment. The private regime, which basically consisted of pension funds administered by companies known as "AFJP", was eliminated on November 2008.

The ART (workers' compensation or labor risk insurance company) premium is not included in the abovementioned contribution rates. Employers must pay for it. This premium, which is usually equivalent to an average of 3% of the payroll, complies with the relevant ART and depends on the employer's activities. Regarding the ART system, the Supreme Court of Justice has declared that, in certain circumstances, payments made under this Law and the clause that prohibits employees from pursuing damages under Civil Code provisions are not reasonable. After the enactment of a very recent executive order, the compensation and benefits provided under the ART system were increased. Nevertheless, employers are subject to civil law claims related to work-related accidents and diseases.

FOREIGN PERSONNEL

Expatriate personnel with a long-term assignment in Argentina and any accompanying family require a temporary visa, which represents a work permit valid for one to three years. Such visa may be renewed for one-year periods. After the first visa has expired, the expatriate may apply for a permanent visa.

Temporary and permanent visas are obtained by filing identity papers, good conduct and health certificates visaed by the Argentina consulate in the country of origin and a written petition to the Argentine Immigration Authority.

Professional contracted abroad for not more than 2 years may be exempted from employer and employee pension fund and social services contributions. The individuals concerned must have no permanent residence in Argentina and must be covered for old age, incapacity and death contingencies in the country of nationality or permanent residence.

FOREIGN INVESTMENT

LAW ON FOREIGN INVESTMENT

Foreign investors enjoy the same rights and undertake the same duties as domestic investors when investing in financial or productive activities.

Generally, Argentine Law does not set any restrictions or prohibitions on foreign investments. No prior government approval is required beyond that applicable to any domestic or foreign investor in each activity.

The Ley de Inversiones Extranjeras (Foreign Investment Law) (hereinafter referred to as the "FIL") (Law No. 21,382/76) has been amended several times for the purpose of liberalizing and deregulating the said investments. It was amended by Law No. 23,697 and Executive Order No. 1,853/93.

The FIL sets forth that foreign investors shall be treated as local investors, provided they invest in productive activities (i.e., industrial, mining, agricultural, commercial, service or financial activities, or any other activities related to the production or exchange of goods or services).

Investments may be made in the form of: (i) foreign currency; (ii) capital assets; (iii) profits from other investments; (iii) repatriable capital resulting from other investments made in the country; (iv) capitalization of foreign credits; (v) certain intangible assets; and (vi) other forms acceptable to the foreign investment authorities or contemplated by special legislation.

TRANSFER OF TECHNOLOGY

1. SCOPE OF THE LEY DE TRANSFERENCIA DE TECNOLOGÍA ("TRANSFER OF TECHNOLOGY LAW")

The *Ley de Transferencia de Tecnología* No. 22,426 (hereinafter referred to as the "Transfer of Technology Law") was amended on September 8, 1993, by Executive Order No. 1853/93 and governs agreements that provide for the transfer, assignment or licensing of technology or trademarks by foreign-domiciled persons to Argentine-domiciled persons. Executive Order No. 580/81 defines "Technology" as patents, utility models and designs, and any technical knowledge applicable to the manufacture of a product or rendering of a service. On October 19, 2005, INPI issued Resolution No. 328/2005, by means of which the following could not be construed as technology:

a. Acquisition of products

b. Technical or consulting services as well as know-how licenses, including those pertaining to information, knowledge or application methods in financial, commercial, legal, marketing, or sales areas, to prepare for participation in bids and invitations to prequalify or for obtaining of permits, placement of securities, and the like, as well as any other delivery or rendering of service that does not evidence clearly and specifically the effective incorporation of technical knowledge directly applied to the productive activity of the local contractor

c. License to use software or software updates

d. Services involving repairs, supervision of repairs, maintenance, and setup of plants or machineries, excluding the local company's personnel training

e. In general, all activities that directly represent the hiring of tasks related to the current operation of the local firm

2. AGREEMENTS BETWEEN RELATED PARTIES

Before Executive Order No. 1,853/93 came into full force and effect, the Transfer of Technology Law provided that all license agreements executed by a domestic licensee and a foreign licensor controlling the former, either directly or indirectly, had to be previously approved by, and registered with, the *Instituto Nacional de la Propiedad Industrial* (National Institute of Industrial Property) (the "INPI") to obtain certain tax advantages. INPI approval is no longer required now, but failure to register an agreement therewith still has adverse tax consequences.

Previously, a license agreement between related parties was approved and registered only if the INPI determined that its terms and conditions were in accordance with local law" Although INPI approval is no longer required, compliance of the agreement terms and conditions with "regular or usual market practices between unrelated parties" is still necessary. In any case, the consideration must be supported by a Transfer Pricing Study.

Currently, transfer of technology agreements entered into by related parties are registered by the INPI for statistical and tax purposes.

3. AGREEMENTS BETWEEN UNRELATED PARTIES

Agreements between unrelated parties are registered with the INPI only for statistical and tax purposes. No specific conditions are established for them. However, there have been cases in which the INPI rejected the registration of certain agreements because the actual purpose of the agreement did not encompass a transfer of technology.

4. TAX TREATMENT OF PAYMENTS

Generally speaking, payments to foreign beneficiaries arising from know-how transfer, technical assistance, patent or trademark license agreements are considered as Argentine-source income and are subject to Argentine taxation. The applicable rates may vary, depending on whether the agreement is registered with the INPI and on some other reasons (e.g., the way in which the service is being rendered or distributed).

The lack of registration of an agreement between related companies or unrelated parties with the INPI does not adversely affect its validity. However, if the agreement is not registered, the licensee may not deduct the amount paid to the licensor for income tax purposes. Moreover, all payments made to the licensor deriving from an agreement that is not registered with the INPI are subject to a 31.5% income tax withholding. On the other hand, registered agreements are subject to a tax rate ranging from 21% to 28%, according to the kind of technology being transferred and the method used for estimating the remuneration or service. These rates may be substantially reduced if an agreement to avoid double taxation is applicable. Argentina has entered into these agreements with several countries.

INTELLECTUAL PROPERTY

1. PATENTS AND UTILITY MODELS

Patents and Utility Models are at present governed and protected by Law No. 24,481 as amended by Law No. 24,572 and Law No. 25.859 as well as its Regulatory Executive Order No. 260/96.

Executive Order No. 260/96 consists of three Exhibits: Exhibit I, which reframes Patent Law No. 24,481, as amended by Law No. 24,572; Exhibit II, which regulates the abovementioned Patent Law; and Exhibit III, which establishes the official rate set forth by the *Oficina de Marcas y Patentes* (Trademark and Patent Office).

The salient points of this set of rules are as follows:

a. Any individual or legal entity, either national or foreign, is entitled to obtain patent and/or utility model certificates.

b. "Invention" is defined as any patentable device or process created by an independent effort, capable of transforming matter or energy for the benefit of man.

c. Inventions of products and processes are patentable if they are novel, involve an inventive activity and are capable of industrial application. While absolute novelty is required, the disclosure of the invention at an exhibition or in a publication or other means of communication within one year prior to the patent application date or priority date shall not affect its novelty.

d. Patents are granted for a term of 20 years from the application filing date.

e. The Law grants a 10-year protection term for Utility Models from the application filing date, and such term may not be extended.

f. Patents and Utility Models are subject to annuities.

g. Unlike old legislation, pharmaceutical products have not been excluded from protection effective October 2000.

h. Exclusive rights granted to the patentee consist of excluding third parties from the manufacture, use, offer to sell, sale and importation of the patent.

i. The law provides that inventions made by an employee in the course of his or her employment contract or during the course of his or her labor relationship shall belong to the employer, provided the purpose of such contract or relationship involves inventive activities, either partially or totally.

j. After the expiration of the term of three years after the grant of the patent, or four years from the filing of the application, any person is entitled to request from the INPI an authorization to use the invention without the patentee's authorization (compulsory license) if it has never been used or if its use has been interrupted for more than one year, except in case of force majeure or lack of effective preliminary steps for using the patented invention.

k. The Law imposes civil and criminal penalties, such as fines and imprisonment, on anyone who infringes a patent or a patentee's rights, as well as remedies to stop the infringement, such as seizure, inventory and attachment of the forged objects.

2. INDUSTRIAL MODELS AND DESIGNS

Industrial Models and Designs are ruled by Executive Order No. 6,673/63, as ratified by Law No. 16,478, and refer to the shapes or configuration of elements given or applied to an industrial product that is substantially decorative or ornamental.

To be eligible for protection, industrial designs must comply with all ornamentation, novelty and industrial requirements and must not be forbidden by law.

The author of an industrial design and his or her successors are entitled to deposit it for registration purposes.

The protection term is five years, beginning from the date of deposit, which may be extended to two consecutive periods at the owner's request.

The Law provides for the renewal and transfer of industrial designs, cancellation actions, and civil and criminal actions arising from infringement of owner's rights.

3. TRADEMARKS

Law No. 22,362 protects both trademarks and service marks.

A trademark is any distinctive mark, symbol or device affixed by a manufacturer to the goods he or she produces so that they may be identified in the market, provided it possesses distinctive features and is not forbidden by the Law.

Ownership of a trademark and the right to its exclusive use are acquired by registration. A legitimate interest is only required to become the owner of a trademark and to exercise the right to use it.

Before registration, a trademark is published for purposes of opposition by third parties and is subject to an initial examination by the Trademark Office examiners.

The protection term of a registered trademark is 10 years from the date of registration. It may be renewed indefinitely for periods of 10 years, provided the trademark is used within the five years preceding each expiration date. The use of the trademark is required to keep the registration in full force and effect.

Prominent trademarks have been granted special protection by law and court decisions. Section 24(b) of Law No. 22,362 establishes that a trademark is null and void when it is registered by anyone who, when applying for registration, knew or should have known that the trademark belongs to a third party.

Trademark infringement is punishable with a fine or imprisonment.

The Law also prescribes provisional remedies or preliminary injunctions to investigate the infringement of a trademark and identify its authors.

4. AUTHOR'S RIGHT (COPYRIGHT)

Law No. 11,723, as amended, protects all scientific, literary, artistic or didactic works, "expressly including" computer software (source and object), data compilations and other materials irrespective of their means of reproduction.

The Argentine Republic follows the Latin juridical concept of author's rights (*droit d'auteur*), which tends to be more individualistic than the concept of copyright. In this sense, the Law expressly acknowledges the author's economic and moral rights. As far as moral rights are concerned, Sections 51, 52 and 83 refer to the author's rights to attribution and integrity of his or her works.

The provisions of the Law apply to foreign works (works first published in foreign countries, regardless of the nationality of the author), provided they correspond with countries that acknowledge copyright.

As a general rule, copyright endures for a term consisting of the life of the author of the work, and 70 years from the first day of January subsequent to his or her death. With posthumous work, the lifespan of a copyright is 70 years from the first day of January subsequent to the author's death. For joint works, the term becomes effective from the first day of January of the year following the death of the last author. Anonymous works published by legal entities are protected for 50 years from their publication dates. With regard to cinematographic work, the copyright is protected for 50 years from the date of the last author's death. (The law considers the following individuals as authors unless otherwise agreed: scriptwriter, producer, director and soundtrack composer.) Copyrights to photographic work last 20 years from the date the work is first published.

The term of copyright protection for foreign works varies, depending on the international treaty to which both the country of origin of the foreign work and the Argentine Republic are parties.

However, the applicable term will not be longer than the one granted by Argentine law.

The Law requires that all Argentine works be registered with the *Dirección Nacional del Derecho de Autor* (National Copyright Office). Failure to register will warrant suspension of copyright protection with regard to economic rights set forth by the Law until the effective registration of the work. This means that any third party will be entitled to use the work freely while unregistered, provided he or she does not modify it and includes the name of the author.

Foreign works need not be registered in the Argentine Republic. However, to enjoy protection of Argentine law, they must comply with the formalities set forth in the international treaty to which both the Argentine Republic and the country of origin of the work are parties (i.e., if the Berne Convention is applicable, no formalities are required; if the Universal Convention is applicable, formalities have to be fulfilled if the work includes the © with the name of the copyright owner and the year of first publication). If no treaty is applicable, authors have to prove that they have complied with the formalities of the country of publication or that the said country does not require any formality.

Law No. 11,723 also provides for injunctions and criminal sanctions for copyright infringement.

Argentina is a member of both the World Intellectual Property Organization and the World Trade Organization.

In addition, Argentina is a party to several more recent international treaties concerning intellectual property, which include the following, among others:

- WIPO Treaty on Copyright of 1996
- WIPO Treaty on Performance and Phonograms of 1996
- The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)
- The Paris Act of 1971 (the most recent version of the Berne Convention)
- The Universal Copyright Convention (UCC)
- The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations or Rome Convention

5. INDUSTRIAL AND TRADE SECRETS

Law No. 24,766 establishes that, under certain conditions, any person who legitimately owns some information may bring legal action to prevent the disclosure of such information by any third party or to prevent it from being acquired and/or used by any third party, and to claim compensation for the damages caused.

Trade secrets are also protected by the provisions of the GATT/TRIPS Agreement, as approved by the Argentine Republic by virtue of Law No. 24,425, as well as Section 156 o 159of the Criminal Code, which sets forth penalties, such as fines or special disqualifications, for those who, having knowledge of a secret which when disclosed may cause damages, reveal it without any justification.

EXCHANGE CONTROLS

There is a tight exchange control regulatory framework according to which transfers of funds outside the Argentine Republic are possible but subject to certain restrictions set forth by applicable regulations issued by the Argentine Central Bank ("BCRA") and based on the amount and purpose of the transfer. In general, transfers of dividends, earnings of corporations and payments of interest on financial loans are permitted, provided certain conditions are met. Repayment of principal of financial loans is restricted based on the date of the agreement, the schedule of payment and whether the financing was settled in the local foreign exchange market. Portfolio investment transfers abroad (including loans to non-residents and purchase of real property abroad) require prior authorization from the BCRA.

Exporters of goods and services must bring into the Argentine Republic the proceeds from exports, net of payments for export financing and pre-financing made abroad, and settle the currency (usually, US dollars) in the local foreign exchange market through a local bank or authorized exchange entity.

Exchange control regulations aiming at preventing speculative capital inflows have established the obligation to make a 30% mandatory deposit for the term of 1 year (with the Argentine financial entity that receives the funds) to be denominated in US-Dollars. This deposit is non-interest bearing and cannot be used as collateral for any transaction.

Among the exemptions to the obligation to make this deposit, exchange control regulations include:

(i) inflows of capital from equity holders holding at least 10% of the capital stock of the local company to be destined to capital contributions. The regulations also include additional formal requirements such as the simultaneous filing of the capital increase with the Public Registry of Commerce (which filing has to be finalized within the following 250 days); and

(ii) foreign loans destined to investment in non financial assets and for a minimum average term of 2 years.

FOREIGN TRADE

1. INTRODUCTION

The Argentine customs legislation is basically composed of the Customs Code – Law No. 22,415 ("Customs Code"), its regulatory Executive Order No. 1001/82, and the Treaty of Asuncion, or the **Mercosur** Treaty, as well as its protocols. Argentina, Brazil, Uruguay and Paraguay are parties to this treaty, which sets forth the basis for a common market.

In the Argentine legal system, treaties entered into with other countries have a higher rank than domestic laws and may not be overridden or repealed by them.

The key issue when importing goods into Argentina is the tariff classification of the underlying goods.

The tariff classification will determine not only the applicable duty rate but also, among other things, statistics fee, value-added tax rate, prohibitions, certain exchange control rules, terms of payment, technical requirements, sanitary requirements, rules of origin and labeling.

Mercosur countries have established a common external tariff for most of the tariff classification items of Mercosur Common Nomenclature ("NCM"). However, each of the parties has a significant number of exceptions to such common external tariff. Mercosur countries are now negotiating a schedule for their domestic tariffs to converge definitively with the common external tariff.

Argentina adopted the NCM, which is based on the Harmonized Commodity Description and Coding System (the "Harmonized System," or "H.S.") developed by the World Customs Organization (formerly Customs Co-operation Council).

Under the NCM, an eight-digit tariff number identifies goods imported into Argentina. The first six digits of the classification number correspond to the international portion of the NCM. The seventh and eighth digits, which make up the tariff item, are unique to Mercosur. The duty rate applicable to imported or exported goods will be determined by reference to the tariff item, that is, the full eight digits. Argentina has three additional digits for domestic purposes. They determine the applicability of certain requirements and/or restrictions and, in some cases, exceptions to the common external tariff.

Import and export duties are generally *ad valorem*, that is, based on a percentage of the value of the goods. Mercosur has adopted *ad valorem* rates ranging from 0 up to 35%. Therefore, in order to calculate the import and export duties payable for imported goods, it is essential to determine properly the value of the goods for customs purposes.

Argentina has signed and approved the GATT valuation code by virtue of Law Nos. 23,311 and 24,425, fully adopting and implementing its customs valuation provisions and methodologies. Therefore, the methods of determining customs value under Argentine law are similar to the methods used by other countries which implement the GATT Valuation Code (e.g., members of the European Union). Each member of the GATT, including Argentina, has its own policies and administrative practices, with respect to the interpretation and application of the valuation provisions stated therein.

2. IMPORTERS AND EXPORTERS' REGISTRATION BEFORE THE CUSTOMS

SERVICE

Individuals or corporations wishing to import or export goods into or from Argentina must generally be registered in the Importers and Exporters' Registry before the Customs Service.

If a person wishes to make sporadic foreign trade operations, it may request authorization for each of these operations from the Customs Service. In this case, it will not be necessary to comply with the requirement of registering before the Customs Service.

Even if the importation or exportation is performed regularly, importers or exporters need not register with the Customs Service if the clearance is made under the following regimes, among others:

- Luggage
- Means of transport
- Onboard supplies

DIPLOMATIC FRANCHISES

It should be noted that in general, in order to be registered with the Importer's Registry, the individual or corporation must be registered as a taxpayer before the Federal Revenue Service. Besides, any corporation willing to become registered must evidence its creditworthiness or financial standing either by means of gross sales - carried out during

the immediately preceding year -, for not less than AR$ 300,000 (three hundred thousand Pesos), or by a net shareholders' equity or net worth of equal amount.

If that required creditworthiness cannot be evidenced or proven, the corporation must, post a performance bond instead to the customs service for the sum of AR$30,000 (thirty thousand Pesos).

3. DEFINITIVE IMPORTS (CLEARANCE FOR HOME USE)

Definitive importation is the most common type of importation. It involves the entry of goods into the Argentine territory on a permanent basis. When goods are imported definitively, they must comply with all tariff and non-tariff regulations and prohibitions.

In general, import duties vary from 0 to 35%, according to the tariff classification of the goods in the NCM.

The customs value (taxable base) for the calculation of import duties is the transaction value (on a CIF basis).

In addition to the import duties, an importer shall pay the following taxes:

i. Statistics Fee: This is levied on the transaction value (on a CIF basis) of the imported goods. The tax rate currently in force is 0.5%. However, the statistics fee is subject to maximum amounts, depending on the value of the imported goods (e.g., where the value of imported goods exceeds US$100,001, the applicable statistics fee is US$500).

ii. Value-added tax (VAT): This amounts to 21% of the aggregate of the CIF value of the goods, the import duties and the statistics fee. Certain capital goods are subject to a reduced 10.5% VAT rate.

iii. VAT additional payment: This amounts to 10% or 5% in the case of goods subject to reduced 10, 5% VAT rate. These rates will increase to 20% or 10%, respectively, if the importer fails to submit the Certificate of Import Data Validation ("CVDI"). VAT additional payment does not apply when the importer is the final user of the imported goods.

iv. Income tax advance payment: This amounts to 3%. If the importer is not the final user of the imported goods, this rate will increase to 11% . If the importer fails to submit the CVDI, it will increase to 6%.

v. 1% advance gross receipts tax. If the importer fails to submit the CVDI, it will increase to 3%.

VAT paid by the importer may be offset against its output tax arising from its commercial activity.

The 3% advance of income tax shall be computed for the importer's annual income tax. Advances of both VAT and income tax do not apply to the import of goods intended to be used by the importer.

Both VAT additional payment and income tax advance payment do not apply if the imported goods are fixed assets of the importer.

Besides, General Resolution AFIP 3252 has introduced the importers' obligation to obtain an Advance Import Affidavit ("DJAI") prior to the issuance of a Purchase Order or similar documents at the time of entering into a foreign purchase of goods.

The information stated in each DJAIA will be available to other official agencies by AFIP so that said agencies are informed in advance of any future importation and are able to render a decision in this regard.

Below are the main points of the said regime:

A. The agencies that have adhered to the system have a 72-hour period -- counted as from the date of the filing of the DJAI by the importer -- to announce any observation they may have. This time period may be extended up to 10 calendar days in "those cases in which specific activities of the agency in charge so requests," as expressly stated in the General Resolution. Once the above time periods have elapsed with no observations, the import operation may continue. Otherwise, the observations shall be dealt by the importer with the agency that raised them.

B. The following import operations, among others, are excluded from the obligation to obtain a DJAI:

    a. imports made under the courier or sample (muestras) regimes or that correspond to turn-key projects, or

    b. that are sent to different shipments (envíos escalonados) [in the last two cases, as long as they have been approved prior to 1 February 2012].

C. The data to be supplied by the importer at the time of filing of the corresponding import declaration are:

a. tax ID (CUIT) number;

b. FOB value and foreign currency involved;

c. tariff item number of the goods to be imported;

d. type and quantity of goods;

e. condition of the goods;

f. country of origin; and

g. country of provenance.

D. The DJAI shall have a validity of 180 days as from the date of issuance, which may be extended.

E. At the time of filing the DJAI request, the importer will be informed of the agencies that will take part in the approval process.

4. TEMPORARY IMPORTS

Temporary importation involves the entry of goods into the Argentine territory to remain in the country for a limited period and for a specific purpose. There are basically two types of temporary importation procedures:

i. Goods which are to be exported in the same condition as they enter the country. Such goods must be re-exported in certain periods, depending on the nature of the goods.

ii. Goods which will undergo a process of transformation, manufacturing or repair and will be re-exported. In general, such goods must be re-exported within a two-year term.

No import duties apply to the importation of goods under these regimes, except certain service fees.

In order to import goods under these regimes, a guarantee must be provided to the Customs Service to ensure the payment of duties and/or penalties that may apply.

Under the temporary import regimes mentioned above, the importer may not sell, lease, lend, or otherwise transfer the tenancy of the imported good, unless it is expressly authorized by the Customs Service.

However, under the procedure mentioned in (ii) above, when part of the production process must be made by a third party, the importer may transfer the temporary imported goods subject to prior approval from the Customs Service. In this case, the original importer will remain liable before customs for compliance with all the obligations imposed as a condition for granting this regime.

In order to import the goods under the definitive import procedure, the importer shall request authorization from the Customs Service (subject to payment of applicable import duties). The Customs Service is entitled to place the goods under the definitive import procedure unless a prohibition applies and/or the purpose of the temporary import procedure is affected by such a decision. Under the procedure mentioned in (ii) above, besides the applicable import duties, definitive importation of temporary imported goods may be subject to additional duties.

Extension of the terms originally granted may be authorized as long as certain conditions are met.

If the temporary import status expires and the goods are not yet exported or no request for authorization from customs to place the goods under the definitive import procedure has yet been made, the importer will be liable for infringement as laid down in Article 970 of the Customs Code (failure to comply with the obligations imposed as a condition for granting the temporary importation regime). In this case, the importer will have to pay the import duties and applicable taxes, if there are any, and a penalty equal to the higher of (i) 1 to 5 times the value of import duties and applicable taxes, or (ii) 30% of the customs value of the imported goods. Penalties for misrepresentation may apply.

Export of goods that were temporarily imported under the procedure mentioned in (i) above is not subject to export duties, unless such goods were improved in any manner, in which case export duty would apply only to the added value.

Export of goods that were temporarily imported under the procedure mentioned in (ii) above is subject to export duties and the payment of export benefits.

There are other Customs temporary regimes, such as temporary export, Customs warehousing procedure, and in-transit goods.

5. "ADUANA EN FACTORÍA"

Executive Order No. 688/02 sets out the *Aduana en Factoría* regime for industrial factories established within the Argentine territory, which provides for the importation of raw materials, parts, components, auxiliary materials,

packaging and protection materials, and containers directly used in the productive process and/or transformation of goods for their subsequent exportation or definitive importation. These goods must be placed under customs warehousing procedure in accordance with the terms set forth in the Customs Code, considering that in all cases, verification of the goods by the Customs Service has taken place. Therefore, import duties and statistics fees are not applicable. Yet, certain minor service fees may apply.

Under this procedure, the imported goods may be transformed or may remain in their original shape.

Although imported goods under this procedure shall be placed in a customs warehouse, in some cases, the authorization to operate such warehouse may not be required.

The importer is allowed to transfer the tenancy of the imported goods when a third party's involvement in the production process is necessary. However, the importer will remain liable before customs for compliance with all the obligations imposed as a condition for granting this regime.

The importers will have to comply with their tax, customs and social security obligations and provide a guarantee to secure the payment of duties and/or penalties that may apply.

The provisional customs clearance under the *Aduana en Factoría* regime will conclude with (i) the definitive export of previously transformed imported goods; (ii) the definitive export of imported goods which were not subject to transformation; or (iii) definitive importation. Importers must request placement of the goods under the abovementioned customs procedure within one year from the arrival of the goods, paying the corresponding applicable duties.

Executive Order No. 688/02 states that importers may offset the VAT paid upon definitive importation made through the *Aduana en Factoría* procedure, with free available VAT credits.

The *Aduana en Factoría* regime will enter into force upon the agreement of the Secretariat of Industry and Commerce and the pertinent industrial sector.

Such agreement will involve certain productive and employment requirements and the use of local components in the manufacturing of the final product.

The Secretariat of Commerce and Industry may limit definitive importations (clearance for home use).

6. DUMPING

The antidumping process is regulated by Law No. 24,425 and its Regulatory Executive Order No. 1,088/01. Antidumping provisions therein are consistent with the outlines set forth by GATT's Uruguay Round. The Ministry of Economy will make the final decision on the application of antidumping rights.

7. EXPORTS

In general, exports are subject to export duties, varying from 5% (manufactures) to 45% (commodities) of the FOB value of the pertinent goods (oil and certain derivatives from petrol may be subject to higher export duties). Resolutions 11/02 and 35/02 from the Ministry of Economy establish additional export duties of 20%, 10% and 5% to certain goods. Such additional duties will be added to the existing export duties.

The exportation of goods is exempt from VAT and gross receipts tax.

Argentine exporters are subject to Exchange Control Regulations and to the Criminal Exchange Control Regime. Exporters must bring foreign currency proceeds from exports into Argentina in the mandatory terms prescribed by the Central Bank. Foreign currency must be sold by the exporter in the free single exchange market.

Law No. 25,988 suspended until December 31, 2005, the income tax exemption for export benefits.

The main measures for promoting exports are the following:

a. DRAWBACK

   This is a customs regime through which taxes paid for definitive importation are totally or partially reimbursed, provided the goods were definitively exported and that certain conditions are met.

b. REFUNDS ("REINTEGROS")

   The refunds regime is one in which the inland taxes paid for the goods sold for exportation, or for the services rendered related to such goods, are totally or partially refunded. The inland taxes mentioned above do not include the taxes paid upon definitive importation. The refunds regime is compatible with the drawback regime.

c. REIMBURSEMENTS (“REEMBOLSOS”)

The reimbursements regime is one in which the inland taxes and other taxes paid upon definitive importation of the goods sold for export, or for the services rendered related to such goods, are totally or partially refunded. Unless indicated otherwise, the reimbursements regime may not co-occur with the drawback regime or the refund regime.

d. LAW N° 23,018 (“PUERTOS PATAGÓNICOS”)

Law No. 23,018 grants an additional reimbursement for exports made through the ports located down south Colorado River (Patagonia Region).

e. VAT REFUND ON EXPORTS

In general, such refund does not exceed 21% of the FOB value of the exports.

8. MERCOSUR

The Mercosur Treaty took effect on January 1, 1995. Argentina, Brazil, Uruguay and Paraguay are parties to this treaty, which sets forth the basis for a common market. At this stage, Mercosur is an imperfect customs union. Chile and Bolivia have already signed trade agreements with Mercosur, which have eliminated customs duties on most tariff classification items.

The trade of goods originating in and proceeding from Mercosur countries, being part of a customs union, is not subject to import duties and is exempt from the statistics fee, except in specific cases.

Likewise, Mercosur countries have established a common external tariff (“CET”) for most tariff classification items of the NCM. However, each of the parties has a significant number of exceptions to such CET. Mercosur countries are now negotiating a schedule for their domestic tariffs to converge definitively to the CET.

In order to qualify as Mercosur goods, the products must meet the Mercosur rules of origin set forth in the Mercosur Origin Regime and the producer or exporter will have to provide the importer with the prescribed Mercosur certificate of origin.

The Mercosur Origin Regime prescribes the requirements regarding the origin of goods. It establishes the following conditions in which the goods will be considered originating in a Mercosur country:

a. The products are totally manufactured in a Mercosur country. This means they are produced with the exclusive use of materials originating in Mercosur countries.

b. The products are manufactured with materials of third countries but are “transformed” in a Mercosur country, and the “transformation” allows that the product be classified under a tariff number of the NCM (four digits) that is different from the tariff number of the original materials.

c. The products comply with the 60% value-added rule. In other words, if the requirement indicated in (b) above is not satisfied because the transformation process does not imply a shift in tariff number, to qualify as originating in Mercosur, it will suffice that the CIF port of destiny value or the CIF maritime port value of the third country components is equal to or less than 40% of the FOB value of the product. To determine the CIF value of third country materials for countries without maritime border, the first maritime or river port located in the territory of the other member countries of Mercosur through which the product entered into Mercosur shall be considered the port of destination.

d. The products result from a process consisting only in assembly in a Mercosur country, using non-Mercosur materials, where the CIF port of destiny value or the CIF maritime port value of the third country components is equal to or less than 40% of the FOB value of the product.

e. Capital assets comply with the 60% value-added rule.

f. The products are subject to specific origin requirements. These requirements will prevail over the general requirements mentioned in (a) to (e) above and shall not be required for products totally manufactured in a Mercosur country (i.e., where such products are made with the exclusive use of materials originating in Mercosur countries).

Products made exclusively from non-Mercosur materials and resulting from a process carried out in a Mercosur country consisting only in assembly, classification, division, labeling, or any other processes which do not change the characteristics of the product, shall not qualify as originating in a Mercosur country.

AUDIT REQUIREMENTS AND PRACTICES

The Commercial Code requires maintenance of official books. The following books must be kept by all commercial entities:

- ✓ Journal, in which all transactions must be entered. The transactions may be summarized in entries that should be prepared on at least a monthly basis; provided appropriate official supporting books are also maintained (cash, purchases, invoicing, etc.).
- ✓ Inventory and financial statements book, in which must be entered a copy of the annual financial statements, together with itemized details of balance sheet components.
- ✓ Minute books of directors' and shareholders' meeting (only for corporations).
- ✓ Share register, in which corporations and limited partnerships enter particulars of shares subscribed, their payment, name of subscribers and transfers of shares, number of shares certificates issued, etc.

The Public Registry of Commerce may authorize the use of mechanized, computerized or other electronic accounting systems in lieu of, or as complement to, the mandatory books established in the Commercial Code.

Annual financial statements of all companies must be audited by an independent certified public accountant. The auditor's report, issued after an examination made in accordance with defined auditing standards, must be filed with the regulatory authorities.

ACCOUNTING PRINCIPLES AND PRACTICES

Accounting standards in Argentina do not differ materially from those applied in countries with highly developed accounting theory and practice. Broad and general descriptions of accounting standards and certain valuation criteria and disclosure rules are contained in technical pronouncements and reports from accounting research bodies.

International Financial Reporting Standards will be implemented for public companies as from fiscal year beginning on or after January 1, 2012. A plan to converge accounting standards for banks with IFRS will become mandatory on January 2018.

Argentina has 23 Provinces and one autonomous city equivalent to a Province (Buenos Aires). The use of IFRSs for local statutory purposes is determined by each Province's Registry of Commerce. Currently, more than half of the Provinces permit the use of IFRSs in their jurisdictions for companies whose securities do not trade in a public market. However, currently the Provinces in which most of the unlisted companies are registered (particularly the city of Buenos Aires) have not endorsed the use of IFRSs for non-public companies.

Companies that do not use IFRSs may choose the IFRS for SMEs or Argentinean standards developed by CENCyA, a think-tank of the local accounting governing body and standard setter.

The form and content of financial statements are variously established by the Companies' Law, specific regulatory offices and professional pronouncements. The basic financial statements consist of balance sheet, income statement, statement of change in shareholders' equity, statement of cash flow (or source and application of funds), notes, supplemental analytical information and directors' report.

Technical pronouncements embody the required disclosure criteria. However, simplicity of presentation of statements is encouraged, with analytical information relegated to the notes.

Companies that own a controlling interest in another entity must prepare consolidated financial statements to be presented as supplementary information accompanying their annual statements.

Provision for specific contingencies is allowed, but for a going concern, general provisions (e.g. dismissal indemnities) are not accepted by the accounting profession. Rather, a pay-as-you-go basis should be used.

The Companies' Law and accounting standards stipulate other information to be disclosed, either in notes to the financial statements or in supplementary schedules. Required notes include, but are not limited to, restricted assets, liens on property, inventory valuation methods, changes in accounting policies, effects of subsequent events on the financial statements, result of transactions with related companies, restrictions on profit distribution, contingent liabilities. Notes should also include a component breakdown of simplified balance sheet items.

The accrual concept of recording income is followed in principle. The sale point (referred to the time of delivery) is the moment generally chosen to recognize income. All known liabilities should be accounted for.

AUDITING

As mentioned before, audit requirements are mandatory for all companies. Auditing standards are similar to those in the United States and have been in force for many years. They are embodied in different technical pronouncements.

A typical auditor's report for a nonlisted company is generally addressed to the entity's president and directors and should include, at least, the statements under review, the professional opinion, a report about the agreement of the statements with the official accounting books carried according to legal requirements, the amount of liabilities accrued in favor of the National Pension Fund, signature and professional registration number. Signature must be notarized at the local Society of Certified Public Accountants.