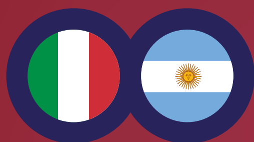
ITALY ARGENTINA



Business Relations and Investment Guide

Consiglio Nazionale
dei Dottori Commercialisti
e degli Esperti Contabili

Fondazione Nazionale dei Commercialisti

RICERCA

ITALY
ARGENTINA

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Fondazione
Nazionale dei
Commercialisti

RICERCA

Dear Colleagues,

the sustainability imperative and the intersecting between different legislations requires us to be, as always, capable of giving precise and useful answers. I am, therefore, confident that this publication and mission, practically ready on the starting blocks while these pages are being printed, will once more provide concrete and necessary help to numerous colleagues.

The internationalisation challenge requires an awareness that sustainability, profitability and social responsibility cannot be detached from knowledge of social and economic contexts different from our own.

Businesses are necessarily involved in international trade processes that can go from the simple supply of goods and services to a complete delocalization of the entire production process.

In this scenario, in the same way as other financial operators and professionals, we need to develop specific skills and expertise that allow us to be key players in supporting the entrepreneur that wishes to enter into new markets with the right financial and strategic choices.

At an institutional level, the National Council, therefore, operates on various fronts. On the one hand, it is working on the planning of specific collaboration projects between the professional, academic and institutional world; on the other hand, it continues to promote, through specifically established associations, training programs and missions in countries in which it identifies economic potential.

Our intention is to consolidate, also through such initiatives, a more up-to-date interpretation of the role of the accountant, especially in their role as business consultant, essential for understanding in advance the risks linked to the extraordinary speed with which geopolitical, social and economic phenomena evolve today.

This edition is published with a view to a new upcoming institutional visit to Argentina and Brazil and reaffirms CNDCEC's concrete commitment on the question of internationalisation, to promote and strengthen the acquisition of skills and practical experience, tangibly useful and, I would even say, indispensable for supporting our clients.

Elbano de Nuccio
President of the Consiglio Nazionale
dei Dottori Commercialisti
e degli Esperti Contabili

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Presentation

Dear Colleagues,

today we are well aware of the economic and geopolitical changes that have for some time been seriously affecting our day-to-day relations with various countries and, as a result, the dynamics of the international trading relations of our clients. These changes mean we need to work to provide appropriate solutions for the many small and medium-sized businesses we deal with every day.

Precisely with reference to our day-to-day commitment, I would, first of all, like to thank all of you for your support of the initiatives organised by our association, established, as you know, with the aim of training and informing colleagues – and professionals in general – on issues relating to the internationalization of companies and international trade; over time, the association has become a point of reference for all of us and for our category, also thanks to the ties that AICEC, together with the heartfelt commitment of its founding members, has been able to establish with exponents of "the Italian System" in the various countries that we have had the opportunity to visit and with whom we have been able to engage.

In identifying the different markets that can offer interesting opportunities for all of us, always from the point of view of international dealings, both commercial and institutional, this time the AICEC has decided to focus on Latin America – and, specifically with this guide – on Argentina which, although it is going through a rather complex and delicate political and economic situation, also with reference to the current electoral period, is, nevertheless, the third economy in Latin America – after Brazil and Mexico – and is characterized by solid bilateral relations with Italy which are based, first of all, on the very strong Italian community present in the country, as well as on the large number of Italian businesses that operate there, with an often centenary history that can be traced back to the migratory waves of Italians to Argentina in the last two centuries.

The complementarity between the Italian and Argentine production systems, the desire on the part of the EU to continue negotiations with Mercosur (Southern Common Market) member countries in order to arrive at the formalisation of a free trade agreement that favours exports and imports on both sides, as well as the possibility of "potential new" entries into the so-called "BRICS" block, confirms Argentina as one of the Latin American countries that currently deserve particular attention.

From exportation to foreign establishment, passing through the various intermediate phases of the complex internationalisation process, as already underlined on other occasions, the relationship with us accountants remains fundamental, being the natu-

ral interlocutors for SMEs and recognised as a reference resource also for institutional parties operating in the internationalisation sector, who today consider us a particularly valuable asset in the entire system. Also, for this reason, I wish to sincerely thank the Embassies – and in particular for this experience in Argentina, His Excellency Fabrizio Lucentini, Italian Ambassador in Buenos Aires – as well as the entire Italian diplomatic network abroad who always support us in our initiatives, granting patronage to our missions and intervening personally to testify to the effectiveness of the Italian System to support Italian businesses interested in dealing with foreign counterparties.

Achieving this important status in the eyes of institutional parties operating to support the internationalisation of businesses and professionals was one of the objectives that right from the outset has characterised the work of the AICEC and the entire CNDCEC which, particularly in the context of the current council chaired by Prof. Elbano de Nuccio, believes strongly that expertise on internationalization and international trade should be one of the tools of our daily work of providing advice to businesses.

The wide recognition that we have received is certainly the result of the seriousness and technical skills with which we have worked until today – and will continue to do so – to provide necessary information and concretely accompany our companies in their approach to, as well as in the consolidation of their position in, foreign markets.

I've reiterated on many occasions how fundamental our role is in knowing how to accompany our businesses in an international growth process and let me say that your immediate and strong support for this latest initiative testifies that the AICEC has been well able to interpret your needs. It is, therefore, with pleasure that we have worked on the preparation of this short guide in order to be able to provide some initial and – we hope – useful information regarding the economic, legal and commercial approach to Argentina. In this regard, I would like to thank the colleagues in the working group who, despite being overwhelmed by the incessant daily tasks that we all face, have been able to make their own contribution in the drawing up of the guide.

The guide this time is in electronic form and not printed, in order to best combine the need to disseminate the information contained in it with our wish to adopt a more sustainable "green" approach which is attentive to environmental issues.

In wishing you a pleasant read, I offer you all, once again, my sincerest thanks.

Giovanni Gerardo Parente

President A.I.C.E.C. - Associazione Internazionalizzazione Commercialisti ed Esperti Contabili (the Italian Professional Associations of Chartered Accountants)

The Italian Economic System

1. Country presentation

1.1. Form of government

The Italian State is a parliamentary republic based on the principle of the separation of powers: legislative power is attributed to Parliament, the representative body of the popular will, while executive power is attributed to the Government, which operates on the basis of a vote of confidence received from the legislative body, and judicial power is exercised by the Judiciary, an autonomous system independent of any other power.

Apart from, and above, the traditional powers of the state there is the President of the Republic, the highest office of the State and representative of national unity, who is elected by Parliament in a joint session of its members.

The President of the Republic is a monocratic, impartial and *super partes* constitutional body to whom specific and predetermined prerogatives are attributed, aimed essentially at guaranteeing a balance of, and separation between, the other powers of the state and of safeguarding the Constitution, which represents the fundamental and supreme law of the Italian State.

More specifically, the Constitution, in its first twelve articles, establishes the fundamental principles of the Italian Republic; in the first Part, it identifies the rights and duties of citizens in the context of ethical-social relations and, in the second Part, regulates the organization of the Republic, that is, the bodies of which it is composed, local authorities, as well as, finally, constitutional guarantees.

Having stated the above, the main characteristics of the bodies to which the Constitution attributes the three fundamental powers of the state are outlined below.

1.2. Parliament

Parliament is a constitutional body, representing the political will of electors and is subdivided into two chambers (so-called perfect bicameralism): the Chamber of Deputies and the Senate of the Republic, which differ in the age limit required to stand, the number of members and the presence, in the Senate, of non-elected members.

The traditional and prevalent function of Parliament is legislative and is exercised by the Chambers collectively, through a law approval process that requires the perfect

matching of the will of both branches of parliament and, hence, approval of an identical text of law on the part of the two Chambers.

All laws, after having received parliamentary approval, must be promulgated by the President of the Republic who, in his capacity as guarantor of the Constitution, can, in the event of formal or substantial flaws in the act approved by Parliament, send back the text to the Chambers with a motivated message, requesting a review; due to the principle of the separation of powers, the President, in all events, has no right of veto, since if the text of law is newly approved by the Chambers, to which, as has been said, are attributed legislative power, the President is obliged to promulgate the law.

After promulgation, the law is published in the Official Gazette of the Italian Republic, which represents the official source of knowledge of the laws in force in Italy; once 15 days have elapsed from publication, (a term which, if provided for in the same law, can be greater or lesser), the law enters into force.

1.3. The Government

The Government is the constitutional body that exercises executive power and is composed of the Prime Minister, appointed by the President of the Republic, and by the ministers – similarly appointed by the latter, on the proposal of the Prime Minister and placed in charge of determined administrative structures – which together form the Council of Ministers, the is, the Cabinet.

Within ten days from its formation, every government must obtain the approval of the two Chambers, that is, a so-called vote of confidence, which must continue for the entire duration of office; if, in fact, during the legislature, the relationship of confidence between the legislative power and the executive one is withdrawn, the Government is obliged to resign from office.

The executive function is exercised by the Government through the identification, implementation and coordination of national political, economic and financial policies; the Government, moreover, is attributed the role of representing the interests of the Italian State in the international context (so-called foreign policy), as well as in the European context, in which a representative of the Government participates in the Council of the European Union, its decision-making body.

The Government is attributed the power to issue regulations – which constitute a secondary source of law – through which it can implement and integrate legislative provisions, regulate the organisation of public administrations and, generally, regulate on matters that the Constitution does not reserve exclusively to Parliament.

The Government can also exercise the legislative function traditionally attributed to Parliament in two cases provided for and strictly regulated by the Constitution.

The first is when Parliament itself assigns the Government the power to issue acts having the force of law, so-called legislative decrees, on the basis of a specific delegated law that establishes the guiding principles and criteria that the Government has to follow, the term within which the proxy has to be exercised and its specific subject matter.

The second case, on the other hand, permits the Government, in extraordinary cases of necessity and urgency that require an immediate legislative intervention, to adopt provisional acts with the force of law autonomously and under its own responsibility, so-called decree laws – that must be converted into law by Parliament within the following sixty days, on penalty of the loss of effectiveness right from their emanation.

In any case, in the event of failed conversion, the Chambers can regulate, with a specific law, juridical relations arising on the basis of the unconverted law decree.

1.4. The Judiciary

Judicial power is attributed to the Judiciary, which is the series of bodies that exercise the judicial function in a position of impartiality with respect to the other powers of the state.

Jurisdiction is either ordinary (civil and criminal) or special (administrative, accounting and military) and, subject to exceptions and particular choices of court proceedings, is based on three degrees of judgement.

The instrument for implementing the judicial function is the fair trial, in relation to which the Constitution identifies, as fundamental principles, the impartiality of the judge, the conduct of cross-examination between the parties in conditions of parity, as well as its reasonable duration.

The jurisdictional function is exercised by ordinary magistrates appointed and regulated by the rules of the judiciary.

In order to ensure the impartiality and autonomy of the judiciary, the Constitution attributes to a specific body, the *Consiglio superiore della magistratura* (Judicial Council) exclusive power with reference to the designation of appointments, transfers, promotions and disciplinary measures regarding magistrates.

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1.5. Language and currency

The official language of the Italian Republic is Italian.

On 1 January 2002 Italy and 11 other European Union member States introduced banknotes and coins in euros to replace the respective national currencies of each country; today the euro is the official currency of 19 of the 27 member countries of the EU which together constitute the euro area, officially referred to as the euro zone.

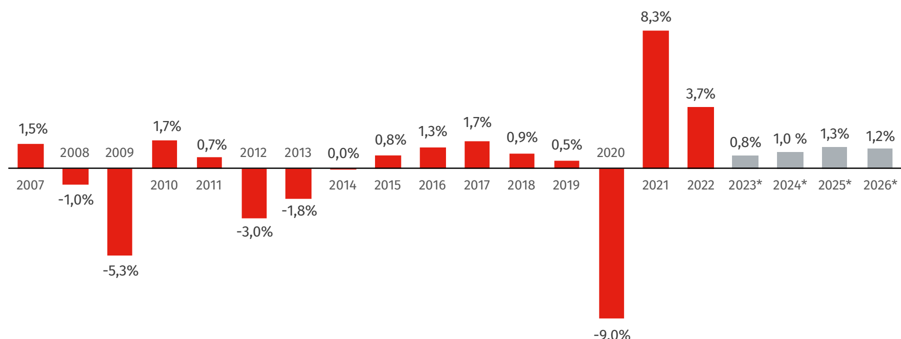
1.6. Economic outlook

1.6.1. The economic situation

After the downturn occurring in 2020 as a result of the pandemic emergency, the Italian Gross Domestic Product rebounded well during 2021. Growth continued in 2022 but is expected to slow down during 2023 and 2024. The dramatic increase in interest rates to combat inflation and international crises, such as the Russia-Ukraine war, have had a negative impact on the Italian economic situation without causing, however, a real recession as has been the case in other European countries, including Germany.

According to the International Monetary Fund (World Economic Outlook, July 2023), during 2023 the Italian economy grew by 0.7% against a growth in the euro area of 0.8%. IMF forecasts for Italy in 2023 are almost in line with those published by the Italian government (September 2023) in the "Nadef" (Update to the Economic and Financial Document 2023) which forecasts, instead, a GDP growth of 0.8%.

Graph 1. Real GDP trend (chained values with reference year 2015). Years 2007-2026



*Finance Ministry (Mef) forecasts (September 2023)

Source: FNC analysis of Istat (National Statistics Institute) and Mef data

With regards to the general economic situation, there was a marked slowdown in the second quarter of 2023, while the summer indicators show an improvement, especially for confidence indicators and some consumption data, including the demand for new automobiles. It's a signal that inflation is loosening its grip and families' purchasing power is slowly recovering. In the meantime, however, the rise in interest rates is compressing investments and reinforcing the economic slowdown

From the international economic viewpoint, the fall in inflation is evident and widespread, but the level of prices still remains high, such as to justify maintenance by the monetary authorities of restrictive financing conditions. In the OSCE area, inflation fell from 10.7% in October 2022 to 5.9% in July 2023 thanks, above all, to the gradual drop in energy prices recorded between the end of 2022 and the beginning of 2023. In general, in the advanced economies, expectations of a cyclical deterioration in the second half of 2023 predominate, also because the central banks are giving priority to reducing inflationary pressures over the risks of a widespread economic recession.

The European Central Bank has opted for decisive financial restriction, taking interest rates on deposits from -0.5% in July 2022 to 4% in September 2023. At the same time, the European Central Bank has reduced its balance sheet by 20%.

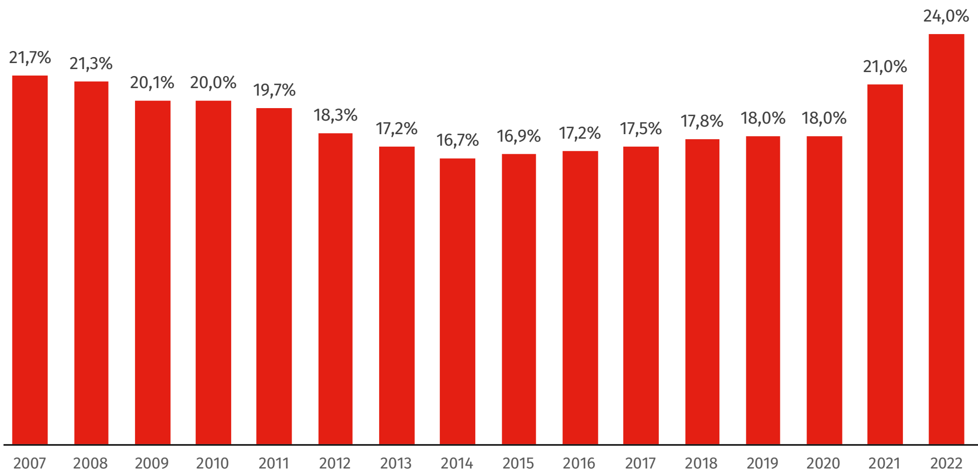
Despite the economic slowdown in progress, the labour market has proved to be remarkably dynamic. In the first part of 2023, there was a significant increase in employment and a sharp fall in the unemployment rate. At present, the employment rate in Italy has reached a record high of 61.3% thanks to the decisive strengthening of employed work, especially permanent contracts. The unemployment rate has fallen, reaching 7.6%, the lowest value in a decade, even though this phenomenon, partly linked to demographic aspects, has still not resolved the mismatch between labour supply and demand.

Household consumption, after the strong recovery in 2021-2022, is up also in the first half of 2023 thanks to the strong push in the first quarter of the year which saw a growth in the nominal gross disposable income of households and, consequently, very sustained purchasing power. The financial situation of Italian families has remained solid. At the beginning of 2023, household debt was 61.1% of available income, a significantly lower level than the average for the euro area (92.1%).

The increase in interest rates in the last twelve months has had a negative effect on the credit market, depressing the demand for loans from both families and businesses. This is due to the sudden increase in interest payable in the face of a moderate and in some respects imperceptible increase in interest receivable. With regards to the quality of credit, in the last few months there has been a slight increase in overdue debts even though the proportion of the latter remains at historically low levels, less than 1.6% for loans to households and at 2.,9% for business loans.

Investments also growing in the first half of 2023, were sustained, in particular, by construction spending favoured by tax breaks introduced during 2020. In the last year, the annual growth rate of gross fixed investments reached 24% after 21% in 2021.

Graph 2. Gross fixed investments as a percentage of GDP. Values at current prices. Years 2007-2022



Source: FNC analysis of Istat data

Since the beginning of 2023, a gradual fall in inflation is underway after the surge in 2022. Specifically, thanks to the reduction in energy prices and the overcoming of obstacles to the supply of raw materials on international markets, the inflation rate fell to 7.8% in the second quarter of the year from 12.5% at the end of 2022.

With regards to foreign trade, there is a reversal of the export trend in 2023 with respect to the good performance until the end of 2022. The economic slowdown in progress at global level has hit Italian exports which, especially starting from March 2023, have suffered heavily from the fall in the German GDP, while the continuous reduction in energy prices, starting again from March, has led to a drop in the value of imports. In 2022, the trade balance was negative for around 30.7 billion euros due to the significant increase in the value of imports. In 2023, from January to July, despite the fall in exports, the balance has significantly improved, moving from -15.4 billion euros to +16.2 billion euros.

1.6.2. Economic policy

To face the pandemic emergency, in 2020 governments and central banks immediately adopted strongly expansive economic policies aimed at supporting the incomes, consumption and liquidity of businesses. In 2021 and, especially in 2022, faced with the worsening of the energy crisis and the increase in inflation, governments introduced new policies directed at businesses and families primarily in order to mitigate the effects of inflation.

During 2020, to deal with the devastating impact of the pandemic on GDP, the European Union launched Next Generation Eu (NGEU), an intervention of 750 billion euros intended to integrate the EU's 2021-2027 budget. To face the energy crisis caused by the Russia-Ukraine war, in 2022 the EU launched REPowerEU, an intervention of 300 billion euros.

In order to support the post-covid economic recovery, the Italian government has focused its efforts on the NRRP, the National Recovery and Resilience Plan, approved in 2021, which draws most of its resources from the NGEU and which amounts overall to 235 billion euros. The main strategic lines and objectives defined in the NRRP are:

- digitalisation, innovation, competitiveness, culture;
- green revolution and ecological transition;
- infrastructures for sustainable mobility;
- education and research;
- inclusion and cohesion;
- health.

Besides the financial measures aimed at fostering important economic investments, the NRRP also provides for a series of reforms of significant strategic value for the implementation of the plan itself. Among the most important are the reform of the public administration, the justice system, legislative and bureaucratic simplification, the plan for the promotion of competition and a series of sectorial reforms structured within the single objectives. In addition, there are a number of accompanying reforms such as that of the tax system and for the extension and strengthening of the social safety nets system.

There are, instead, three strategic goals pursued by the EU through the REPowerEU:

- energy-savings;
- diversification of supplies;
- expansion of renewable energy sources.

The plan forms part of the European Green Deal, already a cornerstone of the NGEU, and plans for the ecological transition also through the need to gradually reduce energy dependence on Russia as a result of the conflict in Ukraine.

RePowerEU has been conceived as an additional chapter of the single national RRPs and, following the logic of the Recovery and Resilience Facility, is broken down into single investment plans and legislative reforms of the system.

1.6.3. Economic outlook

Even respecting all the objectives provided for in the NRRP and despite their improving impact on economic growth forecasts, the government, taking account of the inversion in the general economic trend and of the risks of recession in 2023, has revised down GDP growth for 2023, most of all as a result of the decidedly negative impact of new forecasts on the trend of a number of external variables such as exports and foreign demand, which will undergo a significant deceleration in 2023 to then rapidly recover in the 2024-2025 two-year period. Besides foreign demand, the price of petroleum and gas and the increase in interest rates in progress also have a negative effect on economic growth.

Table 1.International Monetary Fund growth forecasts

	2022	2023	2024
United States	2,1	1,6	1,1
Euro Area	3,5	0,8	1,4
Germany	1,8	-0,1	1,1
France	2,6	0,7	1,3
Italy	3,7	0,7	0,8
Spain	5,5	1,5	2,0
Japan	1,1	1,3	1,0
United Kingdom	4,0	-0,3	1,0
Canada	3,4	1,5	1,5

Source: World Economic Outlook, IMF, 25 July 2023

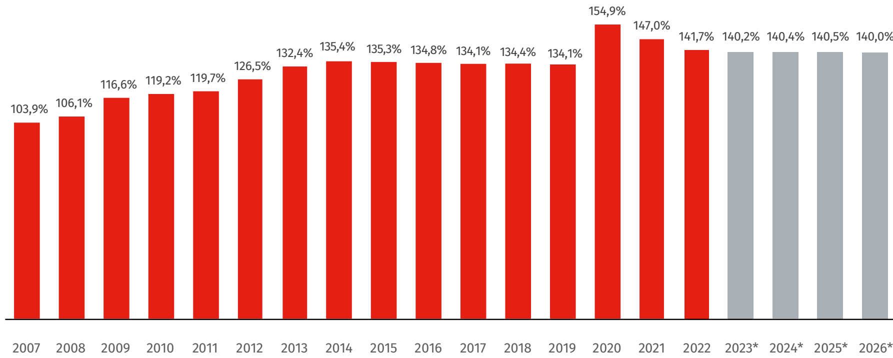
In the forecasts updated in September 2023, the government expects a 2023 GDP growth of +0.8% against the previous forecast, made in 2023, of +0.9%. The programmatic objective of growth close to 1% has moved further away due to a broader economic slowdown than expected in the first half of the year. To this must be added, as already

mentioned, the fact that the International Monetary Fund has made a forecast almost in line with that of the government with regards to Italian growth for 2023 (+0.7%).

1.6.4. Public finances

As is well-known, in 2020, due to the pandemic emergency and the measures to support household incomes and business liquidity, EU national governments, especially thanks to the suspension of the Fiscal compact, implemented strongly expansive fiscal policies, thereby significantly increasing deficits and public debt. Thanks, also, to accommodating interventions by the European Central bank, which launched an extraordinary plan for the purchase of securities and took real interest rates to a negative level, Italian public debt grew significantly in 2020, reaching 154.9% of GDP.

Graph 3. Trend in the ratio between public debt and gross domestic product. Years 2007-2026



*Mef estimates (September 2023)
Source: FNC Analysis on Bank of Italy and Mef data.

At the end of 2022, the Italian public debt was 2,757 billion euros against 1,947 billion of GDP. The debt/GDP ratio, thanks to the strong recovery in 2021-2022, fell from 154.9% in 2020 to 141.7% in 2022. Thanks to the ongoing GDP growth, in 2023, the debt/GDP ratio is expected to fall further to 140.2% until reaching 140% in 2026.

In 2022, the tax burden in Italy was 42,7%, lower than initially calculated thanks to the revision of GDP made by the national statistics office in 2023. For the next few years, the tax burden is expected to gradually fall, albeit slowly, until arriving at 41.8% in 2026.

2. Starting a business activity in Italy

There are various ways a foreign investor can develop their business activity in Italy.

The choice of the manner a foreign entrepreneur can operate in Italy depends on numerous factors essentially linked to the organisation and objectives of their own business, as well as the particular characteristics of the Italian market.

In general, a business activity can be carried on in individual or collective form, also subscribing or acquiring capital/stakes in an already existing company.

With the definitive coming into force of the Business Crisis and Insolvency Code further to the amendments introduced by Legislative Decree no. 83/2022 which implemented in Italy EU Directive 1023/2019 on preventive restructuring frameworks[1], individual or collective entrepreneurs must adopt suitable measures or an adequate organisational, administrative or accounting structure for the nature and dimension of the enterprise, also for the purpose of the prompt detection of a state of crisis and are obliged to act without delay to adopt and implement one of the tools provided by the law for overcoming the crisis.

With reference to the ways to start a business venture, various approaches are possible, which are briefly described below.

2.1. The representative office

LThe representative office is the simplest form of market penetration; through this means, in fact, a foreign person or entity can directly promote their products or services in the Italian territory with limited obligations and costs and without acquiring any tax liability, avoiding administrative, accounting and fiscal commitments of any significance.

It is characterised by presence in the Italian territory of a company without there being any exercise of its main activities and makes it possible to easily gauge the Italian market, while promoting its own business activity.

Functions merely auxiliary or preparatory but useful for the penetration of a foreign enterprise in the Italian market are carried out through a representative office, such as promotional and advertising activities, the gathering of information and the delivery of

1 This refers to Directive (EU) 2019/1023 of the European Parliament and Council of 20 June 2019 on preventive restructuring frameworks, on the discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and which amends Directive (EU) 2017/1132 (Directive on restructuring and insolvency).

goods. These activities can be performed in laboratories, warehouses, deposits, offices, shops and showrooms, provided an entire production or sales cycle is not carried out on a permanent basis, as the condition of a (concealed) permanent establishment would easily in this case materialise, with all the consequences linked to the relative omissions.

From a civil law point of view, the representative office does not have legal autonomy from the parent company, which remains the only entity responsible for corporate obligations assumed with relation to third parties. Italian legal provisions, however, apply regarding public access to official records.

For tax purposes, the foreign enterprise is not subject to taxation in Italy for the presence of a representative office unless, as already mentioned, it is effectively a permanent establishment of the foreign entity, carrying out a production or commercial activity on own account.

In this sense, it is necessary to pay attention to the activity performed by the representative office in order not to run the risk that said office is redefined subsequently as a permanent establishment in Italy of the foreign enterprise, with consequent taxation in Italy of the income generated by the permanent establishment.

2.2. The permanent establishment

A non-resident enterprise can carry on its activity in Italy through a permanent establishment. According to the definition provided by the OCSE[2] the expression "permanent establishment" refers to a fixed business site by means of which a non-resident enterprise exercises, in whole or in part, its own business activity in Italy. This includes: a management site, a branch, an office, a workshop, a laboratory, a building site for construction, assembly or installation (provided said building site has a duration of more than three months[3]).

A significant and continuous economic presence in the territory of the State set up so as not to have a physical presence in the same territory is also considered as a permanent establishment. This condition was introduced in 2018 with the aim of "*mitigating the link – until then fundamental – between the physical presence of an activity in the territory of the State and being subject to tax legislation*".

2 This definition has been substantially taken from Italian domestic legislation (art. 162 of Presidential Decree 917/1986 bearing the Income Tax Consolidated Act – the so-called *Tuir*), except for a number of differences.

3 Art. 5 of the OECD Convention Model against double taxation provides for a duration of 12 months for the purpose of considering a building site a permanent establishment. Art. 162 of the *Tuir* provides for a duration of only three months.

The legislator has, moreover, defined a permanent establishment in a negative sense, listing a series of situations that do not constitute a permanent establishment (a so-called negative list).

In this sense, a fixed place of business is not considered a permanent establishment if it is used only for the purpose of purchasing assets or goods or for gathering information. The use of an installation for storage purposes only, the display or delivery of assets or goods belonging to the enterprise, or for the availability of assets or goods stocked only for storage purposes and for display or delivery or transformation on the part of another enterprise, are all considered as not constituting a permanent establishment. Finally, the same applies to the availability of a fixed place of business used only for the purpose of the combined performance of the above-mentioned activities.

In order to be considered not pertinent for the purpose of constituting a permanent establishment, the activities listed in negative list must, in essence, be of a preparatory and auxiliary nature with respect to the main activity of the non-resident enterprise[4].

LA permanent establishment is defined as "material" (M.P.E.) if it is established through the physical presence of a fixed place of business of the foreign enterprise[5]; it is defined as "personal" (P.P.E.), in the presence of non-independent agents that have the power to close contracts in the name and on behalf of the foreign company or act for their closure without substantial modifications made by the foreign enterprise (so-called commission agent)[6].

From a civil law point of view, also the permanent establishment is not a legally autonomous entity with respect to the parent company. It is essentially a mere means through which the business activity is carried on. As a result, although it is typically provided with an endowment fund, it does not need to formally establish share capital or have independent corporate bodies.

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4 The new paragraph 5 of art. 162 of the Income Tax Consolidated Act provides for the so-called anti-fragmentation rule, aimed at preventing the non-resident enterprise from artificially subdividing a single activity into a number of operations, considered preparatory and auxiliary, only for the purpose of meeting one of the conditions excluding the permanent establishment definition provided for by the so-called negative list.

5 The characteristics necessary for being defined as a M.P.E. include principally the fixed nature in time and space of the fixed place of business and the requirement that the activity of the foreign parent company is carried out in said place.

6 With regards to the P.P.E., it should be noted that the power assigned to a person must be effectively exercised, not in an occasional manner, and must relate to the foreign parent company's business activity. Conversely, the status of permanent establishment is not met when the person that operates on behalf of a non-resident enterprise only carries on merely auxiliary and preparatory activities. When a person operates exclusively or almost exclusively on behalf of one or more enterprises with which they have close ties, they cannot be considered as an independent agent.

With reference to aspects relating to taxation, the permanent establishment is a significant entity both with regards to value added tax (VAT), and is an autonomous centre for the allocation of revenues and costs, and is taxed in the territory of the Italian State for the income generated there by the P.E..

The permanent establishment is considered as an entity resident in the Italian state for tax purposes and as such is subject to the same tax regulations provided for individuals and entities carrying out business activities in Italy.

In accounting terms, the operations carried out by the permanent establishment are recorded in separate accounts from that of the parent company and merge into the financial statement of the foreign enterprise, consolidating with the accounting records of the parent company.

The permanent establishment keeps accounts only for tax purposes in order to quantify the income attributable to it according to the arm's length principle. Said income is definitively taxed in the foreign State, and is consolidated in the parent company's overall income. The taxes paid in Italy are deducted from the parent company's income through the tax credit system provided for by the OCSE Model and by art. 165 of the Income Tax Consolidated Act (in that case for foreign branches).

One advantage of the use of a permanent establishment with respect to the setting up of a company arises in the event of making substantial losses. With a company, in fact, it would be necessary to resort to recapitalisation, while in the case of a branch, it is not necessary to restore the initial endowment fund or, in all events, intervene with regards to capital.

In addition, distributions of the endowment fund from the branch to the parent company are not subject to withholding tax in the Italian State. The OCSE Guidelines on the attribution of profits to a permanent establishment permit, under certain conditions, the allocation of funds between the parent company and the permanent establishment. Said passive interests, together with interest payable on loans taken out directly by the permanent establishment can be deducted according to the ordinary rules of the Italian State.

2.3. Incorporating a company

The incorporation of a company is the most complete way of establishing a presence in Italy on the part of a foreign investor.

Italian law offers a wide range of company forms useable for carrying on a business activity, the choice of which depends on numerous factors relating to the entrepreneur's organisational requirements, the business objects established in the memorandum of

association by the members or shareholders, as well as with respect to liability and the taxation regime to which it is intended to be subject.

The rules regarding types of companies are contained in the Italian Civil Code and in special laws bearing detailed provisions for companies operating in sectors subject to supervision, such as listed companies, banks and insurance companies.

Limiting our analysis to companies that do not carry on their business activities in supervised sectors, a first classification to make, with regards to legal status, relates to the distinction between partnerships and companies.

The first category – including the *società semplice* (simple partnership) the *società in nome collettivo* (general partnership) and the *società in accomandita semplice* (limited partnership) – is characterized by:

- imperfect financial autonomy. The partners (all in general partnerships and in the simple partnership, in the latter case unless otherwise agreed to the contrary, general partners in limited partnerships) have unlimited and liability – meaning that each partner responds with their own personal assets for the obligations assumed by the partnership –– and joint liability, that is to say, each member is liable also for debts incurred, in the name of the partnership, by the other partners, with the consequence that the partnership's creditors can refer to any of the partners to require the fulfilment of the entire obligation;
- the invalidity of agreements through which one or more partners are excluded from any participation in profits or losses;
- the possibility of the simultaneous status of partner and director;
- the transferability, between living persons or for cause of death, of the status of partner, subject to the approval of all the other partners, that is, of all other surviving partners

Companies, that is, joint-stock companies, limited liability companies plus partnerships limited by shares – are characterized by:

- perfect financial autonomy. The capital of the company, in fact, is completely separate from the capital of the members and, as a result, only the company is answerable for corporate obligations with its own capital to the limit of the share capital or the assets that the members have contributed to the company (excepting limited liability partnerships, where the unlimited and joint liability of the general partners is provided for);

- the separation between the status as member and power of management, for which a member is not, as such, a director of the company and a director of the company is not necessary one of the members;
- the transferability, between living persons or for cause of death, of the status of partner, subject to compliance with the particular restrictions established by the law in the specific regulations for the type of company chosen by the members upon incorporation.

A further classification of company types can be made on the basis of the business objects, making a distinction between profit-making companies, with the purpose of dividing the profits earned among the shareholders, and companies with a mutualistic purpose (cooperatives), whose object is the provision of goods and services or the creation of jobs for the members under more advantageous conditions than what the members would obtain in the market. It should be noted that the provisions for SPAs (join-stock companies) apply to cooperatives where compatible, that is, as regulated by the by-laws, and in the case that the number of members is lower than twenty and balance sheet assets do not exceed a million euros, regulations laid down for SRLs (limited liability companies).

Italian law, moreover, permits the incorporation of single-member companies, incorporated by a single member, upon the meeting of certain conditions and, since 2012, provides for the possibility of incorporating an SRL with a minimum capital of one euro (simplified limited liability company) and which does not exceed the amount of 10,000 euros.

Also starting from 2012, the Italian legislator introduced into the legal system a new type of innovative enterprise (the so-called innovative start-up), in relation to which significant tax and contribution concessions are provided for, as well as incentives for investors.

Innovative start-ups are limited companies, also in cooperative form, resident in Italy (or in another member country of the European Union, provided they have a production site or a subsidiary in Italy), which meet certain conditions[7] and whose business object, exclusively or prevalent, consists in the development, production or marketing of innovative products or services with a high technological content.

In the category of the aforementioned limited companies, the SPA (joint-stock company) and the SRL (limited liability company) represent the forms most used to start a business

7 Reference should be made to art. 25 of Decree Law 18 October 2012 no. 179, converted with amendments by Law 17 December 2012, no. 221.

in Italy. As a result, it is only with reference to said legal forms that the main characteristics are described below.

2.3.1. Società per azioni (s.p.a.) (Joint-stock companies)

The capital is represented by shares and the minimum value is fixed at euro 50,000.00, of which 25% must be paid upon incorporation which must occur through a public deed drawn up by a notary.

The SPA is characterised by three distinct management and control systems which, together with the shareholders' meeting, are responsible for the organization of the company. The independent audit is performed by a person or firm external to the company specifically appointed by the shareholders' meeting. In the traditional management and control system (see below) a provision of the articles of association can assign the audit to the statutory board of auditors.

The Shareholders' Meeting is the sovereign body of the SPA with exclusively decision-making functions and in which the will of the members is expressed, to be then implemented by the management body.

As mentioned, the management and control system of SPAs can be carried out through three different governance models:

- the traditional system, based on a management body and a control body;
- a dualistic system, in which the management of the company is assigned to a Management Board, controlled by a Supervisory Board, which appoints members of the Management Board. In this case, the independent audit is always assigned to an audit firm or to an auditor external to the company;
- the one-tier system, in which the management of the company is assigned to a Board of Directors which internally appoints a Management Control Committee. Again, in this case, the independent audit is always assigned to an audit firm or to an auditor external to the company.

In the traditional management and control model, which is the most widely used and which is applied in the absence of a different provision in the articles of association, the management of the company is, therefore, assigned to a management body, which can be composed of a number of directors, the so-called board of directors, or by a single director, the so-called sole director.

The board of directors can delegate some of its powers of administration to an executive committee or to a managing director. It should be noted that the setting up of suita-

ble structures for the nature and dimensions of the enterprise, also for the purpose of a prompt detection of a state of crisis, is attributed exclusively to the directors.

The board of statutory auditors, in the traditional system of governance, monitors compliance with the law and with the articles of association, compliance with the principles of correct management and, in particular, the adequacy of the organisational, management and accounting structure adopted by the company and its effective functioning.

As mentioned, in some cases the board of statutory auditors can be assigned the audit: this applies to companies that are not obliged to draw up consolidated financial statements and with respect to which a specific provision of the articles of association attributes the audit to the board of statutory auditors.

2.3.2. Società a responsabilità limitata (s.r.l.) (Limited liability companies)

LThe SRL is a leaner and more flexible form compared to the SPA and is traditionally used for business activities of smaller dimensions compared to those that an SPA carries on and characterized by a lower level of investment.

Incorporation must occur through a public deed drawn up by a notary; the capital is in the form of shares and the minimum value is set at 10,000 euros, without prejudice to the possibility, as already mentioned, of incorporating a simplified limited liability company with a minimum capital of 1 euro.

The latter is a corporate form whose share capital – equal to at least 1 euro, as mentioned – must be less than 10,000 euros, subscribed and fully paid upon incorporation. Payment must be made in money and paid to the management body.

It is worth noting, moreover, the recent introduction into Italian law of the category of società a responsabilità limitata PMI (SRL PMI) (SME limited liability companies) which reduces the differences between the SRL and SPA so that, in departing from the strict provisions regarding SRLs – on the basis of which shares cannot be offered to the public as financial products – it is permitted to place shares on the market through specific telematic portals for crowdfunding, in compliance with the legal limits provided for by the legislation[8].

Along the same lines, *SRL PMIs* are able to create categories of shares.

With regards to the management and control system characterising the SRL, it should be pointed out that, unless otherwise provided for by the articles of association, man-

8 Pursuant to art. 100-ter, para. 1-bis, Leg. Dec. 24 February 1998, excepting what is provided for by art. 2468, para. 1 of the Italian Civil Code, equity stakes in small and medium enterprises incorporated as *società a responsabilità limitata* can be offered to the public as financial products also through portals for the raising of capital regulated in the same provision.

agement is assigned to one or more members appointed by decision of the shareholders. As a result, SRLs can be managed by a sole director or by a number of directors.

When management is assigned to a number of people, they form the board of directors. The memorandum of association can, however, provide that management is assigned to the members of the board separately or jointly. It is worth pointing out that the setting up of suitable structures for the nature and dimensions of the enterprise, also for the purpose of a prompt detection of a state of crisis, is attributed exclusively to the directors.

The SRL is characterised by a particular control system, as only upon the exceeding of certain parameters or upon the meeting of certain conditions, is the shareholders' meeting obliged to appoint an external auditor or, alternatively, a control body composed of a number of members or a single person (the sole statutory auditor).

More precisely, the appointment of a control body – also monocratic (sole statutory auditor) – or of an external auditor (individual or firm) is obligatory if the company:

- is obliged to draw up consolidated financial statements;
- controls a company obliged to have an independent audit;
- has exceeded, for two consecutive financial periods, at least one of the following limits:
  - 4,000,000 € of assets in the balance sheet;
  - 4,000,000 € of revenues from sales and services;
  - 20 employees on average during the financial period.

With regards to the functions of the control body, the law provides that, also in the presence of a monocratic body (sole statutory auditor), the provisions referring to the board of statutory auditors of SPAs apply.

Revisione legale

Limited companies are obliged to appoint an independent auditor.

The individuals or entities engaged to perform the independent audit of Italian accounts (external auditors and audit firms) must be enrolled in the Register of external auditors kept by the Ministry of the Economy and Finance and must comply with the provisions contained in Leg. Dec. no. 39/2010, in its implementing provisions and in European Regulation no. 537/2014.

If the company is not obliged to draw up consolidated accounts and a specific provision of the articles of association provides for this, the board of statutory auditors (or to the sole statutory auditor of an SRL) can perform the statutory audit. In this case, all the members, or the sole statutory auditor, must be enrolled in the Register of external

auditors and comply both with the rules provided for in the regulations relating to the supervisory function, and – with regards to the performance of the audit in collegial form – with the specific provisions of Leg. Dec. 39/2010, including the provisions relating to independence and the International Standards on Auditing (ISA Italia).

As mentioned, in companies that adopt the dualistic system or the one-tier system of administration and control, the independent audit is always carried out by an external auditor or audit firm.

3. The taxation system

The Italian tax system is based on the taxation of income, consumption and assets, and is implemented through the application of the following main taxes:

- *Imposta sul reddito delle società (IRES)* (Corporate income tax);
- *Imposta regionale sulle attività produttive (IRAP)* (Italian regional tax on production);
- *Imposta sul valore aggiunto (IVA)* (Value added tax);
- *Imposta sul reddito delle presone fisiche (IRPEF)* (Personal income tax) ;
- *Imposta sulle successioni e donazioni* (Inheritance and gift tax);
- *Imposta Municipale Unica (IMU)* (Municipal property tax);
- *Imposta di registro e tasse indirette su trasferimenti di proprietà* (Registration tax and indirect taxes on property transfers);
- *Imposta sul valore delle attività finanziarie estere (IVAFE)* (Tax on the value of foreign financial assets;
- *Imposta sul valore degli immobili esteri (IVIE)* (Tax on the value of foreign real estate).

The main taxes of particular interest for a foreign investor are analysed below.

3.1. IRES

The *Imposta sul Reddito delle Società (IRES)* (Corporate income tax) is aimed at taxing the incomes generated by activities exercised by both resident and non-resident companies, cooperatives and similar entities (associations, foundations, trusts, etc.). The income earned by said companies and similar entities, from whatever source, is subject to tax on income through IRES.

For resident entities taxable income includes not only the income generated in Italy, but also that generated abroad.

For non-resident entities taxable business income in Italy is only that earned through a permanent establishment in Italy.

A company or legal entity is considered resident in Italy if, for the greater part of the tax period, has in Italy, alternatively, its (i) registered office, (ii) administrative office, (iii) main business object.

Partnerships are not subject to either IRPEF or IRES since, with regards to the income generated, the single partners are subject to taxes on income with reference to the stake held by them and independent of its collection (so-called “transparency principle”).

IRES is a proportional tax, the rate of which is 24%, and is applied on taxable income (the taxable base).

The tax obligation is fulfilled twice a year: at the first deadline, generally at the end of June each year, the balance is due relating to the previous year together with the first down payment for the current year; at the second, generally at the end of November each year, the second down payment relating to the year in progress is due.

Tax base of business income: observations

In general, the business income of companies and commercial entities is determined by making increasing or decreasing adjustments to profit or loss, as provided for by tax legislation.

In the event of a negative tax base, the losses made in the first three financial periods from the start of operations are recordable in the subsequent tax periods, without time or quantity limits. Losses made from the fourth financial period are deducted from the income of subsequent tax periods up to a limit of 80% of the taxable income for each of them.

Interest payable is deductible up to correspondence with interest receivable. The excess is deductible within the limit of 30% of the gross operating profit determined on the basis of the tax legislation. Any further excess is deductible, according to the above limits, in subsequent financial periods.

Dividends paid by limited companies to non-resident shareholders are subject to a withholding tax of 26% (without prejudice to the application of any more favourable rates provided for by Conventions against double-taxation; said withholding tax is not applicable to profits relating to a permanent establishment in Italy of a non-resident entity).

Withholding tax is at 1.20% in the event dividends are paid to companies and entities subject to corporate income tax resident in another member State of the European Union or in States that have signed up to the European Area Agreement and that permit an adequate exchange of information.

Finally, exemption from “outgoing” withholding tax is provided for dividends distributed to limited companies resident in another member State of the European Union not benefiting from option or tax exemption regimes which hold, uninterruptedly for at least one year, a minimum equity investment of 10% in the limited company resident in Italy (so-called “parent-subsidiary” directive).

3.2. IRAP

The *Imposta Regionale sulle Attività Produttive (IRAP)* (Italian regional tax on production) is an "own derived tax", that is to say, a tax established and regulated by the law of the State, the revenue from which is attributed to the regions which must, therefore, exercise their own tax autonomy within the limits established by State law.

IRAP revenue goes towards funding the National Health Service.

Limited companies and entities subject to IRES, as well as partnerships and professional associations, are subject to IRAP.

The ordinary rate is 3.9%, but the regions have the power to vary it, within the limit of 0.92%, as well as to provide for reduced or increased rates for types of activities or parties.

The tax base, subdivided on a regional basis, is the net value of production, determined, as a general rule, from the difference between the positive and negative components of ordinary operations (not taking account of financial income and charges, losses on receivables or capital gains/losses from the sale of a company). Specific provisions for the cost of employees are also established: the cost relating to permanent employees is fully deductible, while that relating to fixed-term employees is deductible only with respect to contributions for compulsory accident insurance as well as in relation to apprentices, disabled workers, staff hired with training and employment contracts and staff working on research and development. For entities with positive components of no greater of 400,000 in the tax period, a flatrate deduc-tion of 1,850 euro is provided for each fixed-term worker, up to a maximum of 5 employees.

For non-resident entities, IRAP is due only if its activities are carried on through a permanent establishment set up in Italy.

3.3. IRPEF

The Imposta sul Reddito delle Persone Fisiche (IRPEF) (Personal income tax) is imposed on all resident individuals with regards to all income however generated (in Italy or abroad), and on non-resident individuals, in relation to only income generated in Italy.

All those who, for the greater part of the tax period, alternatively (i) are registered in the registries of populations resident in Italian Municipalities, (ii) have their domicile (considered as the centre of economic and family interests) in Italy, (iii) have their residence (intended as the place where the person has their usual residence) in Italy, are considered as resident in Italy

IRPEF is a personal and progressive tax. The tax due is calculated applying to the overall income (composed of all the categories of revenue and, therefore, also of income different from those of the business), net of deductible costs, increasing rates by income brackets. The progressive rates by income brackets in force in 2023 are set out below:

- up to 15,000.00 euros, 23%;
- over 15,000,00 euros and up to 28,000.00 euros, 25%;
- over 28.000,00 euros and up to 50,000.00 euros, 35%;
- over 50,000,00 euros, 43%.

Specific deductions provided for by current tax laws will be subtracted from the gross amount.

The above deductions are fully recognised also for non-resident individuals that earn in Italy not less than 75% of their overall generated income and that do not enjoy analogous tax benefits in the State of residence.

3.4. IVA

As a rule, the sale of goods or the provision of services in the Italian territory on the part of individuals and entities that habitually carry on a business activity, art or profession is subject to *Imposta sul Valore Aggiunto (IVA)* (VAT). It is an indirect tax on the consumption of income.

The ordinary rate is 22%. Reduced rates are provided for specific goods and services: 4%, for example, for foods, drinks and agricultural products; 5%, for example, for certain foods; 10%, among others, for the supply of electricity and gas for domestic use, hotel and catering services, medicines and renovation of the building heritage.

4. Labour relations in the market

Businesses’ demand for labour in the Italian market is met through the offer of two types of work: subordinate employment and self-employment.

The Italian Civil Code defines the subordinate worker as a worker that is obliged to collaborate with the enterprise, providing their manual or intellectual services to their superiors and under the direction of the entrepreneur.

The law establishes that the permanent employment contract is the standard employment relationship (“standard” employment).

Regulation of employed work relations is contained in the Italian Civil Code, in special laws of the State and in collective labour agreements signed between trade union organizations and representative employers’ associations.

Permanent employment contracts can be terminated with an exit agreement or through unilateral withdrawal.

The worker can withdraw from the employment contract by resigning, respecting the notice period provided for in the collective agreement applying to the contract.

The employer can withdraw from the employment contract informing the worker with a letter of “justified” dismissal”, specifying the motives for interrupting the employment relationship.

The notice of dismissal and the notice of resignation is provided for unless there is a “just cause” of withdrawal or when the trust between the employer and the worker is lost.

With the labour laws reform of 2015 (the so-called “Jobs Act”), new remedies against illegal or unjustified dismissal were introduced. In the light of the reform, the “actual” stability of the employment relationship, with the worker’s right to be reinstated in the job, remains only when the invalidity of the dismissal is ascertained. The dismissal is invalid when it is discriminatory, retaliatory, against the law or when notified verbally.

In the other cases, the main remedies against illegal dismissal provide for the right of the worker to receive compensation payments.

“Normal” working hours are established by the law as forty hours per week. They can be distributed over five or six days in the week.

Every worker has the right to rest each day for a minimum of eleven hours; a weekly rest of a minimum of twenty-four hours; a period of holidays of at least four weeks for each year of work.

The time worked and the level of professionalism are the main parameters used for calculating remuneration for work.

Art. 36 of the Constitution of the Italian Republic affirms that workers have the right to a remuneration proportionate to the quantity and quality of their work and, in all events, sufficient to ensure themselves and their family a free and dignified existence.

The levels of remuneration to take as a benchmark for complying with the constitutional provision are those established in national collective labour agreements signed by the most representative trade unions of the reference category.

Italian law protects the work of women and minors.

According to the general principle, children that have not reached fifteen years of age cannot work. Adolescents, that is, minors aged between fifteen and eighteen years old, cannot enter the labour market before they are 16 and only having completed their compulsory education.

The parity of female workers with respect to male workers is given fundamental importance in the Italian legislation. Discrimination, also of a remunerative nature, against female workers, is prohibited. Discrimination of females in any professional orientation and training initiative is also prohibited.

The law attributes the employer executive power, disciplinary power and supervisory power for the management of their employed staff.

The employee has the duty to obey the directives given by the employer and is obliged to perform their work with diligence. In addition, during the employment relationship, employees have the obligation of loyalty with respect to their employer. This means that the law prohibits the worker from carrying out activities in competition with their employer.

Italian law has established also forms of "flexible" work.

Regulation of "non-standard" types of employment contracts is contained in Leg. Dec. no. 81/2015.

The main ones are the fixed-term contract and the part-time employment contract.

The fixed-term contract can be freely entered into for the first time with any worker if it has a duration of no greater than twelve months. No worker can have fixed-term contracts with the same employer that have an overall duration of greater than twenty-four months. Upon the agreed expiry of employment, the contract is terminated automatically.

The contract may have a longer duration but, in any case, not exceeding twenty-four months, and only if at least one of the following conditions are met:

a. in the cases provided for by the national, territorial or company collective agreements entered into by the comparatively more representative trade union associations on a national level, and company collective agreements entered into by their company trade union representatives or by the unitary union structure;

b. in the absence of collective agreement provisions and, in any case, by 30 April 2024, for requirements of a technical, organisational or production nature identified by the parties;
c. in the event of replacing other workers.

The number of workers hired with fixed-term employment contracts cannot exceed the threshold established by the law or by collective bargaining.

All workers can be hired with a part-time employment contract provided that the contract specifies the working hours. The employee must be able to have free time outside the working hours established by the contract.

In compliance with the provisions of collective agreements, the parties to a part-time employment contract may agree, in writing, elastic clauses relating to relative variations in the scheduling of the work performance or relating to an increasing variation of its duration.

As a general rule, all employment contracts must be established through the signing of a written employment contract.

The law prescribes essential information to be contained in the employment contract:

a. the identity of the parties;
b. the place of work;
c. the site or domicile of the employer;
d. the position, level and qualification attributed to the worker or, alternatively, a brief description of the job;
e. the date of the start of the employment contract;
f. the type of employment, specifying in the event of fixed-term contracts, its intended duration;
g. in the case of employees of an employment agency, the identity of the user enterprise when, and as soon as, known;
h. the duration of the trial period, if provided for;
i. the right to receive training organised by the employer, if provided for;
j. the duration of holiday leave, as well as other paid leave the worker is entitled to or, if this cannot be indicated in the contract, the methods for determining their enjoyment;
k. the procedure, the form and the terms of notice in the event of withdrawal of the employer or worker;
l. the initial amount of remuneration and the method of payment;
m. the normal working hours;

n. the collective agreement, also corporate agreements, applied to the employment contract, with indication of the parties that have signed it;
o. the entities and institutes that receive the social security and insurance contributions due by the employer and any form of protection regarding social security provided by the employer.

Italian law provides for a general and absolute prohibition of intermediation and intervention in the employment relationship. That is, the supply of labour hired by an "intervening" hirer (the so-called provision of other people's work) and employed under the direction of an interposing entrepreneur, is prohibited. This implies that there must be a direct relationship between the employer and the worker. As a general rule, the employer cannot provide or supply their own employee to other employers.

The professional supply of manpower is legitimate only when it is operated by authorized employment agencies. The law defines the staff-leasing contract as the contract, whether permanent or fixed, with which an authorised employment agency, pursuant to Legislative Decree no 276 of 2003, makes available to a user one or more of its workers who, for the entire duration of the project, perform their activities in the interest and under the direction and control of the user. The number of agency-supplied workers may not exceed the thresholds provided for by the law.

5. Forms of incentives and support to investors and enterprises

5.1. Innovative start-ups and SMEs

(Decree Law 179/2012 – Decree Law no. 3/2015 – Decree Law 34/2020)

Regulations have been established in the corporate, fiscal and employment law fields for enterprises that operate in Italy in the area of technological innovation, so called “innovative start-ups” and “innovative SMEs”.

Objective: the measures are aimed at fostering new business initiatives, sustainable growth, technological innovation and employment (particularly youth employment).

Beneficiaries: SMEs incorporated as limited companies that meet certain requirements in terms of research and development costs, the employment of highly-qualified staff or the use of registered patents/software.

Concessions:

- reduction of bureaucratic costs during the incorporation phase;
- exemptions from certain provisions regarding corporate law (for example, in relation to losses for the financial period);
- flexible work rules;
- possibility of raising capital through equity crowdfunding;
- possibility of return on investment through equity participation instruments;
- simplified access to the Guarantee Fund for access to credit;
- subsidised dedicated loans (the *Smart&start Italia* programme, for example);
- possibility of access to other forms of dedicated funding;
- tax incentives for investors.

Tax incentives

- Investment incentive, organised as follows:
  - for **individuals**, an IRPEF deduction of 30% of the amount invested in the share capital of one or more innovative Start-ups, up to a maximum investment of 1 million euros, which must be maintained for at least three years;
  - alternatively, for **individuals** there is an IRPEF deduction of 50% of investments in the risk capital of innovative start-ups or innovative SMEs (to be maintai-

ned for at least three years). For investments made in innovative start-ups, the subsidised investment amounts to a maximum of 100,000 euros for each tax period, whereas this value is equal to 300,000 euros for innovative SMEs. The reliefs are granted in accordance with the "de minimis" Rule and, consequently, provide for a maximum of 200,000 euro over three financial periods for the beneficiary company.

  - for **legal entities**, a deduction from the IRES taxable amount equal to 30% of the invested amount, up to a maximum investment of 1.8 million euros for each tax period. Again, in this case, the investment must be maintained for at least three years.

- lower costs for the offsetting of VAT credits;
- tax exemption from capital gains deriving from the sale of equity investments in innovative start-ups.

5.2. Tax credit for investments in capital goods

(art. 1, paragraphs 184 to 197, Law 160/2019 as amended.)

The Budget Law for 2020 introduced new types of incentives for the acquisition of tangible and intangible assets instrumental to the exercise of the business activity, with particular reference to those supporting the development of the "industry 4.0" programme.

With regards to tangible goods pertaining to the "industry 4.0" model, the credit, for the period 2023-2025, structured follows:

- 20% of the cost for invested amounts up to 2.5 million;
- 10% of the cost for invested amounts over 2.5 million and up to the limit of admissible costs of 10 million;
- 5% of the costs for invested amounts between 10 million and up to the admissible limit of costs of 20 million.

With regards to technically advanced intangible capital assets pertinent to the 4.0 transformation process, the level of the tax credit (to be calculated on a maximum amount of 1 million), can be summarized as follows:

- 20% in 2023;
- 15% in 2024;

- 10% in 2025.

5.3. Tax credit for investments in the South of Italy and Special Economic Zones ("ZES")

(art. 1, paragraphs 98 to 108, Law 208/2015 as amended, Decree Law 124/2023, arts. 9-16)

The 2016 Stability Law established a tax credit for the acquisition of capital goods intended for production sites located in the Southern regions of Italy (Campania, Puglia, Basilicata, Calabria, Sicily, Molise, Sardinia and Abruzzo). Investments are eligible for concessions which are made in machinery, pant and various equipment (also through finance leasing) relating to:

- the creation of a new factory;
- the extension of an existing factory's capacity;
- diversification of the production of a factory to obtain products not previously manufactured;
- a fundamental change in the overall production process of an existing factory.

Art. 4 of Decree Law 91/2017[9], for the purpose of promoting the creation of favourable conditions for development, in certain areas of the country, of enterprises already operating, as well as the establishment of new enterprises, provided for the possibility of setting up so-called *ZES* (Special Economic Zones), inside of which it is possible to benefit from tax concessions and the simplification of administrative procedures. Specifically, a tax credit has been established corresponding to the overall cost of the capital goods within the maximum limit, for each investment project, of 100 million euros. The *ZES* tax credit has been recently extended, including also the purchase of land and the acquisition, development or extension of real estate instrumental to the investments.

The Southern Italy tax credit is proportionate to the overall cost of the assets[10], within the maximum limit, for each investment project, of:

- 3 million euros for small enterprises;

9 Decree Law 20 June 2017, no. 91, *"Disposizioni urgenti per la crescita economica del Mezzogiorno"* (Urgent provisions for economic growth the South of Italy).

10 For investments made through finance leasing contracts, the cost incurred by the lessor for the acquisition of the assets is referred to; this cost does not include maintenance costs.

- 10 million euros for medium enterprises;
- 15 million euros for large enterprises.

The determination of the maximum thresholds currently in force has superseded the previous legislation, according to which, the limits in question referred to the cost of the assets net of depreciation provisions made in the tax period, with relation to the same categories of asset belonging to the production site in which the new investment is made.

The tax credit for areas in Southern Italy, on the basis of the region of reference and the dimension of the enterprise, is calculated according to the rates shown in the table below:

Regions	Small	Medium	Large
Basilicata, Calabria, Campania, Molise, Puglia, Sardinia, Sicily	45%	35%	25%
Abruzzo	30%	20%	10%

The above rates are applied also to the tax credit relating to Special Economic Zones until 31712/2023.

From 1 January 2024, further to Decree Law 124/2023, the **Special economic zone for the South (the so-called "single SEZ")**, has been established, which includes the territories of the regions Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sicily and Sardinia.

The projects relating to economic activities, that is, the establishment of industrial, productive and logistics activities inside the single SEZ, not subject to certified notification of commencement of activity, but subject to single authorisation. This provision replaces all qualifications and authorizations however named, necessary for localization, installation, construction and commissioning transformation, renovation, conversion, expansion or relocation, as well as the termination or reactivation of business activities.

The procedures for setting up a company is through the Single Digital Gateway (the SEZ SDG).

Also in this case, investments forming part of an initial investment project for the acquisition, also through financial leasing contracts, of new machinery, plant and various equipment intended for already-existing productive structures, as well as for the purchase of land and for the purchase, development or extension of properties instrumental to the investments, are eligible. The value of the land and properties cannot exceed 50% of the overall value of the facilitated investments. The range of the facilitated investments is between 200.000 and 100 million euros.

On the basis of the "Regional aid map for Italy", the maximum intensity of aid can arrive at the following thresholds:

- 40% for large enterprises;
- 50% for medium enterprises;
- 60% for small enterprises.

For the purpose of recognition of the benefit, the beneficiary companies must maintain their activity in the areas in which the facilitated investment was made for at five years after completion of the same investment.

5.4. Aid for Economic Growth (so-called "ACE")

(art. 1, Decree Law 201/2011 – art. 19, Decree Law 73/2021)

Aid for economic growth, better known in Italy with the "ACE" acronym, is a concession intended to foster the capitalisation of enterprises and is directed towards limited companies, partnerships and individual entrepreneurs in the ordinary accounting regime and other entities resident in Italy, as well as the same non-residential individuals and entities with respect to permanent establishments in Italy.

The concession consists in a deduction from overall income of a percentage return on capital introduced or increased in the Italian enterprise, equal to 1.3%, permitting a reduction of *IRES* and of *IRPEF*, besides of the relative surcharges. The concession has no impact on *IRAP*.

The increase in equity for ACE purposes, on which to calculate the aforementioned return percentage, is determined, generally, considering as increases cash contributions and provisions of available profits and reserves and as decreases reductions in shareholders' equity attributable to shareholders (or to the entrepreneur) for any reason.

5.5. Tax credit for research and development

(Law 190/2014 – Law 178/2020 – Law 197/2022)

The 2015 Stability Law introduced a tax credit in favour of all enterprises, regardless of their legal form, of the economic sector and of the tax regime adopted.

The tax credit is quantified on the amount of costs incurred in each subsidised tax period, exceeding the average of the same investments made in the three previous tax periods.

The level of aid, the maximum amounts and the concessions provided for vary on the basis of the activities in question:

1. Fundamental research, industrial research and experimental development in a scientific or technological field[11].
2. Technological innovation aimed at the development of new or substantially improved product or production processes.
3. 4.0 and green technological innovation, aimed at the development of new or substantially improved products or production processes for the achievement of an ecological transition or 4.0 digital innovation objective[12].
4. Design and aesthetic conception activities aimed at significantly innovating the products of the enterprise in terms of form and other non-technical or functional elements (lines, shapes, colours, surface structure and ornaments).

On the basis of the type of activity and on when the investments are made, the intensity of aid and different amount limits, are summarised in the table below.

		2023	**2024-2025**	**2026-2031**
Research and development	Rate	10%	10%	10%
	Amount limit	5 million	5 million	5 million
Technological innovation	Rate	10%	5%	-
	Amount limit	2 million	2 million	-
4.0/green innovation	Rate	10%	5%	-
	Amount limit	4 million	4 million	-

11 The criteria for the correct application of said definition are set out in detail by art. 2 of Ministry of Economic Development (*MISE*) Decree 26 May 2020 which distinguishes them taking account of the general principles and criteria contained in the OECD's Frascati Manual (Frascati Manual 2015 - Guidelines for collecting and reporting data on research and experimental development. https://www.oecd.org/sti/inno/frascati-manual.htm).

12 The criteria for the correct application of said definitions are indicated in arts. 3 and 5 of the aforementioned Ministerial Decree, taking account of the general principles contained in OECD's Oslo Manual (Oslo Manual 2018 - Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition. https://www.oecd.org/science/oslo-manual-2018-9789264304604-en.htm).

Design and aesthetic conception	Rate	10%	5%	-
	Amount limit	2 million	2 million	-

Decree Law 34/2020 (the so-called "Decreto Rilancio" – Relaunch Decree), under art. 244, increased the amount of the tax credit for research and development, also in the COVID-19 context, in favour of enterprise operating:

- in the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily;
- in the regions of Central Italy hit by the seismic events in 2016-2017 (Lazio, Marche and Umbria).

The maximum intensity pf the incentive varies according to company size and is as follows:

- 45% for small enterprises;
- 35% for medium enterprises;
- 25% for large enterprises.

The 2023 Budget law (art. 1, paragraph 268) extended the benefits for enterprises in the South of Italy also for the year 2023.

5.6. Capital Goods - "Nuova Sabatini financing" tool

(art. 2 Decree Law 69/2013, no. 69)

Objective: support investments for the acquisition, also in leasing, of machinery, equipment, plant, capital goods for production use, as well as of hardware, software and digital technologies.

Beneficiaries: SMEs operating in all production sectors, including agriculture and fishing.

Concession: the contribution covers part of the interests on bank loans and is determined to an extent equal to the value of the interest calculated, in a conventional way, on a loan of a duration of five years and of an amount equal to the investment, at an annual interest rate of:

- 2.75% for ordinary investments;
- 3.575% for investments in so-called “Industry 4.0” and green technologies.

The contribution is related to a bank loan (or leasing agreement), of between 20,000 euros to 4 million euros, of a maximum duration of 5 years (including a 12-month pre-amortisation period), which can be assisted up to 80% from the Guarantee Fund.

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5.7. Patent box

(art. 1, paragraphs 37-43 Law 190/2014 – Decree Law 3/2015 – *Mise* (Ministry of Economic Development)/*MEF* (Ministry of Economy and Finance) 30 July 2015 – *Mise* Ministerial Decree 26 May 2020 – art. 6 Decree Law 146/2021)

Objective: make the Italian market more attractive for long-term national and foreign investors, incentivising the location in Italy of intangible fixed assets currently held abroad, the maintenance of intangible fixed assets in Italy and favouring investment in research and development activities.

Beneficiaries: all companies and entities with business income.

Concession: the new regulations permit the increase by 100%, for IRES and IRAP purposes, of expenses incurred in the carrying out of research and development activities aimed at the maintenance, reinforcement, protection and increase in the value of software protected by copyright, of industrial patents and of legally protected designs and models. The activities pertinent for the purpose of the concession (the duration of which is five tax years) are classified as follows:

- industrial research and experimental development pursuant to art. 2 of Mise Decree 26 May 2020;
- technological innovation pursuant to art. 3 of Mise Decree 26 May 2020;
- design and aesthetic conception pursuant to art. 4 of Mise Decree 26 May 2020;
- legal protection of rights on intangible assets.

For the purposes of the facility, expenses relate to:

- staff directly involved in the performance of the pertinent activities;

- amortisation provisions, the capital part of leasing fees and other costs relating to the capital goods and intangible assets used in the performance of the pertinent activities;
- consultancy services and equivalent relating exclusively to the pertinent activities;
- materials, supplies and other analogous products used in the pertinent activities;
- maintenance of rights on subsidised intangible assets, their renewal upon expiry, their protection, also in associated form, and relating to the prevention of counterfeiting and to the management of disputes aimed at protecting the same rights.

5.8. Guarantee fund for SMEs' access to credit

(art. 2, paragraph 100, letter a, Law 662/1996)

Its objective is to facilitate access to sources of finance for small and medium enterprises through the granting of a public guarantee that flanks and often replaces the collateral brought by the enterprises.

Thanks to the Fund, an enterprise has the real possibility of obtaining funds without additional guarantees (and therefore without the costs of surety or insurance premiums) on the amounts guaranteed by the Fund, generally equal to 80% of the requested loan.

5.9. European Funds

It should be noted that Italy, as a member State of the European Union, has access to a wide range of European Funds relating to the 2021-2027 programming cycle, managed at national and regional level. For more information reference can be made to the website:

http://europa.eu/european-union/about-eu/funding-grants_it.

5.10. Other incentives and concessions

For a complete and updated review of incentives in favour of Enterprises and Investors, reference can be made to the website: https://www.mise.gov.it/it/incentivi-mise.

6. A number of customs issues: “origin” and free trade agreements

In international trade, companies have understood the importance of being informed about customs law which, with specific procedures and obligations, often regulates delicate aspects which could be of significant importance for each single operator.

For enterprises that operate in Italy, and in general for those established in the territory of the European Union, it is worth knowing the customs regulations deriving from the application of the Union Customs Code[16] (UCC) and the associated delegation and execution regulations[17] in order to be in a position, in the “pre” phase, to plan trade with foreign countries in the best way and to be ready to manage, in the “post” phase, any problems linked to intrinsic aspects that may occur, often also linked to non-tax profiles.

The management of “Trade compliance” is a delicate task from the point of view of company management, in its dealings with the customs process and in determining the relative debt deriving from the customs procedure[18] through which the goods have to pass. Reliance is often placed externally, abandoning the planning phase, and the management of customs aspects is assigned to third parties (shipping companies, customs brokers) which, thanks to their specific experience in trade with foreign countries are needed to fulfil customs procedures and formalities on behalf company so that the third country product can enter the EU or vice-versa. This “delegation” mechanism can cause inefficiencies inside the enterprise and sometimes a misalignment between internal data, normally used in the accounting records, with respect to customs data.

16 The legal framework in force in the customs field is based on a complex structure of European and national regulations, which have stratified and succeeded each other over the years as a result of the progressive evolution of the European integration process. The European Union’s customs union is a unique example. Inside the Community Customs Union, the 27 member states adopt a uniform system for the management of goods which are imported, exported and in transit, and implement a shared series of customs regulations, called the Union Customs Code (UCC). The code came into force on 10 May 2016, even though a number of transitory provisions are still applied. A uniform system of customs duties applies to the importation from third countries, while there are no customs duties at the borders between member States. See EUR-Lex - customs union - EN - EUR-Lex (europa.eu)

17 Regulation (EU) no. 952/2013 of the European Parliament and Council, of 9 October 2013, which establishes the Union Customs Code (recast directive) (Official Gazette (OG) Law 269 of 10.10.2013); Delegated Regulation (EU) no. 2015/2446 (DR); Execution Regulation (EU) no. 2015/2447 (ER); Transitional Delegated Regulation (TDR) no. 2016/341.

18 In the UCC, exportation and release for free circulation are “ordinary” regimes, while transit (type T1 or T2), Deposit (including tax-free zones), particular Use and Inward/Outward Processing Relief are “special” regimes.

An effective way of overcoming these inefficiencies and of limiting responsibility profiles, is to integrate the work of customs brokers with increased communication and better knowledge on the part of the company itself, and of the accountant assisting it, with regards to the prescribed customs obligations, setting up, where possible, specific internal controls.

A suitable "Trade Compliance" control consists, among other things, in:

- the issue of certifications of preferential origin and the use of non-preferential origin certifications;
- the collection of internal and external documentation with respect to the company (for compliance with the rules of origin);
- periodic monitoring of international agreements, directives, European regulations and laws and national trade legislation (including embargos and concessions);
- the identification of necessary licenses for importation into foreign countries;
- the creation of check-lists and procedures that must be adopted by intermediate operators in the supply chain, brokers and suppliers, in compliance with the standards adopted by the exporting company for the acquisition of specific qualifications (such as, for example, AEO);
- risk prevention and mitigation measures deriving from possible violations of the different regulations (with the adoption of Model 231, extended to the crime of smuggling).

Specifically, economic operators' familiarity with the origin concept (together with customs concepts regarding classification and value) of a particular item and, above all, the rules that identify the country from which the item can be considered as originating from, can lead to significant competitive advantages for operators both with regards to commercial and marketing aspects, with a clear reference to the question of the so-called "non-preferential" or "made in" origin, and with regards to a real saving of cost (in terms of customs concessions) by virtue of the numerous trade agreements – free trade agreements - entered into by the European Union with third countries with relation to the "preferential" origin concept.

6.1. Preferential and non-preferential origin

A clear distinction, well-established also by the UCC, on the issue of the origin of goods concerns, therefore, preferential origin and non-preferential origin. Every time a com-

mercial relationship implies a transfer of goods between different countries[19], there is the requirement – upon the passage through the border customs – to establish the origin of the products involved in the transaction. In this way, the identification of the place of origin (production of the item) makes it possible to use and, make recognisable, an indication of origin universally associated with the "made in" term. This applies when the intention is to reveal that a product has undergone in the country reported on the label the last "substantial processing[20]". Goods classified as such respond to the non-preferential "rule of origin[21]" which, in the Union context, represent the general rule defined so as to apply to all products, regardless of the country of final destination. The impact of such an indication is substantially commercial, without concessions on import customs taxation. The certificate of non-preferential origin is issued, in Italy, by the competent Chamber of Commerce for the territory[22] under the company's direct responsibility.

When, instead, an international transaction has as counterparties two enterprises respectively resident in countries that have signed up to a bilateral preferential agreement, the origin of the product, with respect to the precise rules set out in the agreement, has a significant impact on import customs taxation. The exporter, in fact, is able to certify that its products have undergone "sufficient processing[23]" to attribute the preferential origin of the country of transformation; it will be able to obtain for its customer an importation concession through a reduction or elimination of payable duties. In all events, in an international relationship, it is not possible to disregard the determination of origin for each individual product. Such indication, therefore, together with classification and val-

19 The movement of goods between member States of the European Union does not involve a passage through border customs.

20 To establish if the operations carried out in a given country on non-original materials are more or less sufficient to confer origin to that country, criteria have been established for each category of products; for example, a change of customs heading or a maximum percentage, in value, of non-original semi-finished products, components and/or raw materials that can be used, or a specific production process that must be carried out, or also a combination of these criteria.

21 Specific rules on the theme of non-preferential origin are also contained in annex 22-01 UCC-DR.

22 An electronic request for certificate of origin can be forwarded to the Chamber of Commerce of the province of the registered office of the exporting entity, of the province of one of its operating units or of the province in which the goods to be exported are situated, subject to authorisation of the Chamber of Commerce of the province in which the exporter has its registered office. Printing of the certificate in the company is possible if the requesting entity is the holder of an "AEO" (Authorised Economic Operator) certification or if it has the status of "Authorised Exporter" or is registered with the "REX" system (System of registered Exporters).

23 Sufficient processing is considered as a work process that permits a change in the customs heading or compliance with one of the other rules provided for in preferential agreements.

ue, represents one of the elements the determination of which is essential for achieving a correct application of customs taxation.

Preferential origin, by virtue of the duty benefits granted in customs matters, is certified through documentation issued by the customs authorities[24]. In the determination of the preferential origin of goods intended for sale it could be necessary to involve the suppliers, asking them to issue a suitable declaration[25] certifying the preferential origin of the sold goods.

The European Community regulations on the origin of goods are contained in arts. 59 to 68 of the UCC and in arts. 57 - 126 of ER and 31 - 70 of the DR.

6.2. Fair trade agreements

Starting from the second half of the 1980s, there has been a proliferation of formal economic integration agreements entered into between partner countries in order to liberalise trade with reciprocal benefits for the signatories. At international level, three types of agreements can be identified:

a. cooperation and partnership agreements that regulate economic relations between two countries;
b. free trade agreements that generate areas of free trade between the signatory countries with the reduction or elimination of customs tariffs for goods that can be defined as "originating" in one or other of the countries or area that has signed up to the agreement;
c. customs unions.

The above-described international agreements are of fundamental importance as much for exporters as for importers, since they arise from the aim of supporting trade between the partner countries and define the ways that related benefits can be obtained.

The free trade agreements entered into by the European Union[26] provide, in specific origin protocols, for reciprocal duty concessions and the relative conditions for application:

24 For countries linked to the Union by bilateral agreements, this refers to Model EUR 1 which is issued by the customs authorities of the exporting country further to the exporter's written request; Eur 2 for determined goods types and imports; declaration on the invoice for exports of a value of no greater than Euro 6,000.00; Atr in the case of exchanges between the EU and Turkey; finally, Form A for developing countries.

25 Supplier declaration and long-term declaration (Arts. 61 and 62 (EU) Reg. 2447/2015).

26 Companies established in Italy are also fully entitled to benefit.

tariff concessions are provided for on a reciprocal basis so that exemptions or reductions regard both products of Union origin exported to partner countries and products originating in said countries intended to be exported to the European Union: the regulatory sources on the question of preferential origin are therefore the protocols themselves and, alternatively, the rules contained in the UCC.

More recent commercial and free trade agreements entered into by the European Union include:

- Agreement on trade and cooperation between the EU and the United Kingdom;
- EU-Vietnam free trade agreement;
- EU-Singapore free trade agreement;
- EU-Japan EPA (Economic Partnership Agreement);
- EU-Canada CETA (Comprehensive Economic and Trade Agreement);
- EU-Peru Colombia Ecuador Multi-party agreement;
- EU-Central American Countries Association Agreement;
- EU-South Korea Free Trade Agreement

With reference to Latin American countries, it is considered appropriate to point out here the existence of the following further agreements:

- UE-Central America, comprising Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama
- UE-Chile Association Agreement, which also includes a comprehensive free trade agreement

The Argentinian Economic System

1. Country presentation

Argentina, officially known as the Argentine Republic, is a land rich in culture, varied landscapes and a fascinating history. With a population of over 45 million people and a surface area as vast as western Europe, Argentina is one of the most influential nations of the South American continent.

It's situated in South America with an exceptionally varied geography that ranges from the majestic peaks of the Andes to the vase plains of the Pampas and the luxuriant tropical forests.

Argentinian culture is equally rich and fascinating. Tango, a musical genre and a captivating dance, originated in this country and continues to be a fundamental part of Argentinian culture. Buenos Aires, the capital, is an important cultural centre with a vibrant artistic scene, world-renowned theatres and museums that house priceless works of arts.

Argentinian cuisine is famous for high quality beef, and asado, a traditional barbecue, is an authentic social institution. The country also offers a vast range of delicious dishes, from *empanadas* to sweets made with *dulce de leche*.

In the literary field, Argentina has produced famous authors such as Jouge Luis Borges and Julio Cortàzar, whose works are admired worldwide for their depth and originality.

Argentinians love soccer passionately. Th national Argentinian team is one of the most competitive in the world, with legendary players like Diego Maradona and Lion Messi.

Finally, Argentinian architecture and art are a fascinating mix of European and local influences, with districts such as La Boca in Buenos Aires which are famous for their colourful and vibrant houses.

Argentinian culture is heavily influenced by a blend of indigenous, European (especially Spanish and Italian) and African heritages, and this contributes to making Argentina a unique and fascinating destination to explore and discover.

1.1. The political system

Argentina is a federal republic with a presidential system of government. The president is the head of the state and of the government and is elected directly by citizens through democratic elections. The presidential mandate lasts four years, and it's possible to be re-elected for only one consecutive term.

Argentina is divided into autonomous provinces, each with its own local government. These provinces enjoy a certain autonomy and can adopt laws and local policies on ed-

ucation, health, justice and other matters. The national constitution and the federal laws predominate, however, over the provincial laws.

The country has a multi-party political system, which means that there are numerous political formations that participate in the elections and in the decision-making process. The next general elections in Argentina will take place on 22 October 2023 to elect the new President of the country, as well as the national Congress.

1.2. The legal system

The Argentinian legal system is based on civil law, also known as the Roman-Germanic system. This system is mainly based on codes and written laws which define clearly and in detail citizens' legal rights and obligations. It's different from common law, used, for example, in the United States and in the United Kingdom, which is mainly based on legal precedents and the decisions of the courts.

The Constitution of Argentina, known as the *"Constituciòn Nacional"*, is the fundamental document that establishes the country's legal and political system. It creates a federal republic and establishes the division of powers between the executive, legislative and judicial powers.

The legal system has deep roots in Roman and Spanish legal traditions. During the colonial period, Argentina was a Spanish colony, and many of the laws and legal structures have been influenced by the Spanish legal system.

Civil law is a fundamental part of the Argentinian legal system. This branch of law covers issues such as contracts, property rights, people's rights and family matters. The Argentinian civil code, known as *"Còdigo Civil y Comercial de la Naciòn"*, regulates many of these aspects.

1.3. The economic system

Argentina is a nation with a diversified economy, based on three principal sectors: agriculture, industry and services.

Agriculture plays a crucial role in the Argentinian economy. The country is known throughout the world for the production of high-quality beef, and this sector is one of the main driving forces of agriculture. Soybeans are another key crop, and Argentina is one of the world's major producers of soybeans and derivatives such as soybean oil.

Other important agricultural products are maize and wheat. This sector is essential for Argentinian exports and plays an important role in generating revenue for the country.

Argentina has a diversified industrial sector which produces a vast range of manufacturing goods, including vehicles, machinery, chemicals and steel. These industries are important for employment and internal production, and contribute in a significant way to the national economy.

The services sector in Argentina is vast and includes tourism, education, finance and professional services. Buenos Aires, in particular, is an important financial and commercial centre of Latin America. Tourism is a growing sector, thanks to the country's spectacular landscapes, cultural attractions and unique traditions.

The country has faced a number of significant economic challenges over the years. One of the most serious has been hyper-inflation, causing a certain amount of economic and social instability. In addition, the country has had to deal with problems related to high indebtedness and debt crises, leading to restructuring and financial instability.

These challenges have made it necessary to manage the economy very carefully; nevertheless, Argentina continues to be a nation with great economic potential thanks to its natural resources, economic diversification and its strategic position in Latin America.

1.4. The banking system

Argentina's banking system is an essential element of the country's financial infrastructure. It has a complex structure that includes a variety of financial institutions, each with a specific role in supporting the country's economy.

Commercial banks form the core of the Argentinian banking system. They offer basic services, such as current accounts, savings, loans and credit cards, both for citizens and for businesses. Some of the major banks in Argentina include *Banco dela Naciòn Argentina*, *Banco Santander Rìo*, *Banco Galicia* but there are many others.

Investment banks mainly focus on activities such as financial consultancy, asset management and the issuing of securities. They play a crucial role on helping businesses and private individuals manage and invest their capital.

The Central Bank of Argentina, or *"Banco Central de la Repùblica Argentina"*, is the entity responsible for monetary policy and regulation of the country's financial system. It has the task of establishing policies that influence the money supply, interest rates and the control of monetary circulation.

Argentina has international links through organisations such as the International Monetary Fund (IMF) and the World Bank. It has also taken part in international negotiations and economic agreements.

The Argentinian banking system is fundamental for supporting the country's economy, facilitating the collection of savings, the allocation of credit and financial transactions. The country's financial institutions, together with the regulation of the Central Bank, play a crucial role in creating financial stability and in helping businesses and citizens to manage their financial resources.

1.5. The flag and the currency

The Argentinian flag is an important national symbol that represents the history and identity of the country. The flag has a simple but significant design. It's composed of three horizontal stripes of equal width. The upper and lower stripes are light blue, while the central one is white. The most iconic detail is the May Sun, which is situated in the centre of the white stripe. This sun is yellow and has a stylised human face surrounded by sun rays. The May Sun is a symbol of independence and freedom, and was inspired by the sun that appeared during the historic May Revolution of 1810 when the Argentinians began their journey towards independence from Spain.

The flag was created by the Argentinian lawyer Manuel Belgrano on 20 July 1816 and was officially adopted as a national symbol in 1818. Its design has remained unchanged over the years and is widely used on official occasions and national festivals.

Argentina's official currency is the Argentinian peso (ARS), and is divided into *centavos*.

The Argentinian peso is available in different denominations of banknotes and coins. The banknotes vary in size and design and often have images of historical figures, Argentinian landscapes or significant events. The coins include *centavos*, *pesos* and their smaller fractions.

Over the years, Argentina has experienced significant fluctuations in its currency, due to economic and financial issues. These fluctuations can significantly influence the performance of the country's economy and financial transactions.

The Argentinian peso is used for all day-to-day transactions in the country, from food shopping to public services and the purchase of consumer goods. It is fundamental to the economic life of Argentinians.

The Argentinian currency and flag are essential elements of the national identity and culture of the country, with the flag that represents the history and independence of Argentina and the Argentinian peso that facilitates day-to-day financial transactions.

1.6. Economic relations with Italy

Economic relations between Argentina and Italia have deep roots and these relations are characterised by trade, reciprocal investment and cooperation in various sectors. Both countries export and import a variety of products, including machinery, chemical products, food and beverages, vehicles and automotive components, textiles and pharmaceutical products. Italian imports into Argentina include high-quality manufacturing products, while Argentina exports agricultural products, meat and food products. Bilateral trade continues to represent an important element in economic relations between the two countries.

Italian businesses have made direct investments in Argentina in various sectors, including the energy sector, the food industry and the automotive industry. These investments have contributed to reinforcing the Italian presence in Argentina and to promoting the creation of jobs and the economic development of the South American country.

The Italian community in Argentina is significant and has influenced Argentinian culture, gastronomy and society. These cultural links also contribute to relations between the two countries. In addition, tourism between Argentina and Italy is growing, with tourists exploring both countries for their natural beauties, culture and history.

The Argentinian embassies in Italy and the Italian embassies in Argentina play a role in promoting bilateral economic relations, providing support to businesses and facilitating investments and trade.

1.7. The protection of intellectual property

The protection of intellectual property in Argentina is guaranteed through a series of laws, international treaties and constitutional provisions.

Section 17 of the Argentinian Constitution guarantees the protection of intellectual property, establishing that *"...all authors or inventors are the exclusive owners of their works, inventions or discoveries for a period of time established by the law ..."*.

Since 1966, Argentina has signed up to the Paris Convention, which includes the Lisbon Agreement of 1958. In addition, the country ratified the provisions of the Trade-Related Aspects of Intellectual Property (TRIPS) of the General Agreement on Tariffs and Trade (GATT) in 1994, signed up to the Universal Convention on Copyright in 1957 and ratified the Berna Convention in 1999.

Argentina has not yet, however, signed up to the Patent Cooperation Treaty (PCT), nor the Madrid Protocol.

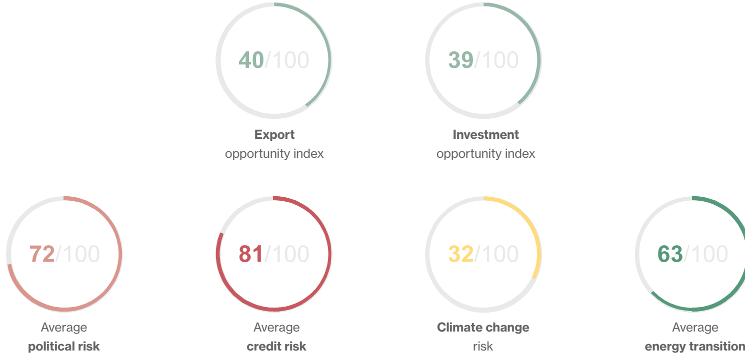
Argentina has a series of national laws that regulate intellectual property. These laws cover various aspects, including copyright, trademarks, patents, industrial designs and models, geographic indications and other forms of intellectual property. The *"Ley de Propiedad Intelectual"* (Law on Intellectual Property), for example, regulates copyright and associated rights.

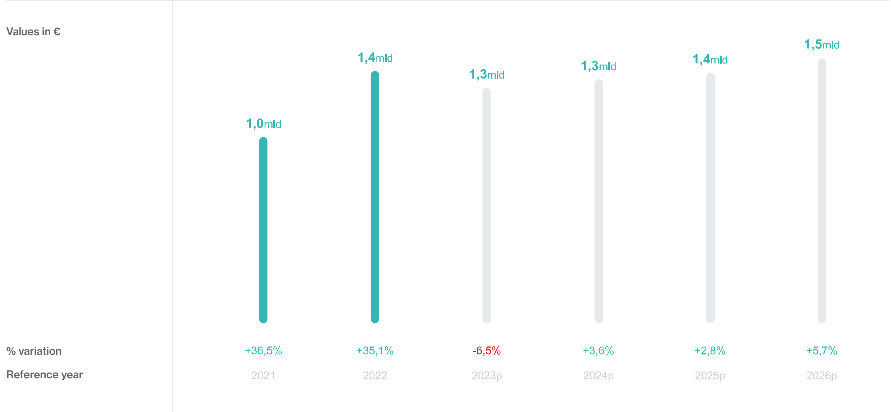
INPI is the government body responsible for the registration and protection of intellectual property rights in Argentina. It manages the registration procedures for trademarks, patents and other forms of intellectual property.

The Argentinian authorities actively carry out law enforcement and protection activities to combat counterfeiting and piracy, guaranteeing that the owners of intellectual property rights are able to affirm their rights.

The protection of intellectual property rights is of fundamental importance for promoting innovation, creativity and economic development. Argentina is committed to complying with international standards relating to intellectual property and to guaranteeing an adequate protection for owners of said rights. It is important, however, to refer directly to the INPI or specialised lawyers for specific details regarding the laws and regulations relating to intellectual property in Argentina.

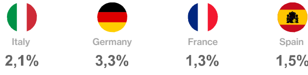
1.8. Infographics and country risk[1]





1 Source: https://www.sace.it/mappe/#/mappe/export-map/argentina.

Market share of Italian exports and of its peers



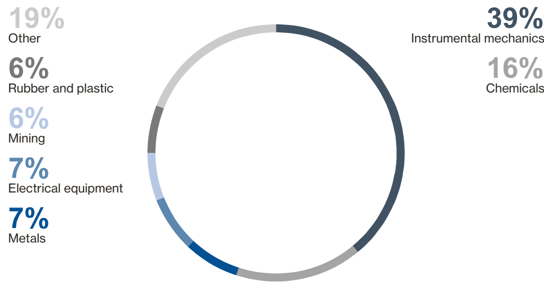
Italy	Germany	France	Spain
2,1%	3,3%	1,3%	1,5%

Italian imports 2022

1,2 mld
€ - euro

+35,0 %
compared to 2021

Italian exports by sector 2022



Indicators of risk

7	CCC-	Ca	CC
Media rischio politico	S&P's rating	Moody's rating	Fitch rating

2. Starting a business activity in Argentina

In general, there are no restrictions for foreign investors that wish to start a business in Argentina.

For foreign investments, only certain types of investment are subject to limitations, such as participation in companies carrying on activities linked to the mass media, the possession of rural buildings or the possession of land near the national borders.

2.1. The representative office

The representative office can operate as an intermediary between the foreign company and third parties with which it wishes to enter into contracts, but it cannot act on its own, but only on behalf of the parent company. It also deals with the promotion of the parent company's products and services. It must be registered in the public registers.

2.2. The branch

Branches are also regulated by the *Ley General de Sociedades* (General Law of Commercial Corporations).

They have no juridical autonomy with respect to the parent company, which is, therefore, jointly and severally liable for obligations.

They must keep separate accounts for operations carried out in the country.

They must file the articles of association with the RPC (*Registro Publico de Comercio* - Public Register of Commerce) and appoint a legal representative resident in Argentina.

It's also necessary to apply for registration of the branch with the Inspeccion General de Justicia (Argentinian equivalent of Companies House), to which an annual report on the activity carried out and the shareholding structure must be submitted.

2.3. The company

The main way to carry on business activities is through the establishment of a company, as regulated by Law 19.950 of *Ley general de Sociedades*.

Sociedad Anonima S.A.

The capital is in the form of shares. The company can be established by a minimum of two shareholders, who can be natural or legal persons. Foreign members must elect their domicile in Argentina and register with the *Registro Publico de Comercio* (RPC).

The minimum share capital is 100,000 ARS and liability is limited to the share capital contributed.

Companies must be incorporated with a public deed and at least 25% of the share capital must be paid upon incorporation, and must be fully subscribed and paid within two years from incorporation.

Shares are freely transferable, unless otherwise provided for in the articles of association.

The management body is composed of two or more members (*"directores"*), and by a minimum of three in the event of share capital exceeding 2,100,000 ARS. The majority of directors must be resident in Argentina. The board remains in office for three years.

The appointment of statutory auditors is optional, but upon exceeding 2,100.000 ARS of share capital, it is, instead, compulsory to appoint a board of statutory auditors composed of three auditors (*"comision fiscalizadora"*).

There is the possibility to resolve increases in share capital in ordinary shareholders' meeting up to an amount five times the initial share capital, without the obligation to modify the articles of association.

The financial statements must be filed with the RPC.

Sociedad Anónima Unipersonal (S. A. U)

This is a Sociedad Anonima with a single shareholder and, compared to the SA, the share capital must be fully paid upon incorporation; they can be managed also by a sole director, they cannot be a member of another company and they must have a control body composed of at least one regular statutory auditor or by an alternative statutory auditor.

Sociedad de Responsabilidad Limitada (S. R. L.)

The share capital is represented by shares and can have a minimum of two and a maximum of fifty members. The liability of the members is limited to the shareholding stake held.

It can be incorporated by public deed or authenticated private agreement.

It can be managed by a sole director or by a board of directors ("gerentes"). The management body can have a fixed or indefinite duration. Upon exceeding 50,000,000 ARS of share capital, it's compulsory to appoint a control body composed of at least one regular

and one alternative statutory auditor, and the number of members of the board of directors must be adjusted to at least three members.

The articles of association can provide for limitations on the transfer of shares, but not prohibit it.

A minimum share capital is not envisaged, but the *Registro Publico de Comercio* can require a share capital of at least 100,000 ARS on the basis of the business activity carried on.

If the share capital is less than 50,000,000 ARS, the company is not obliged to file the financial statements with the RPC as, instead, is required for an SA.

Sociedad por acciones simplificada (S. A. S.)

The liability of members is limited to their shareholding. In the case of a single member, the company cannot be a shareholder of another single-member SAS.

The minimum share capital is the amount of at least two minimum salaries, which correspond to around 800 American dollars.

The management body can be individual or collegial, and a majority of the members must be resident in Argentina. The management body can have a fixed or indefinite duration.

The meetings of the board of directors and shareholders' meetings can be held remotely and the company and accounting books can be in digital format.

The company is not obliged to file financial statements with the RPC.

Sociedades colectivas

This is a partnership in which the members are jointly and severally liable for the obligations of the partnership. It's similar to the Italian *società in nome collettivo* (unlimited partnership).

A minimum share capital is not envisaged

Sociedad en comandita simple

This is a partnership similar to the Italian *società in accomandita semplice*, with limited partners who contribute the capital and are liable up to the capital contributed, and general partners who, instead, have unlimited liability.

2.4. The joint venture

Joint venture

There is no complete regulation of joint ventures in Argentina, but there are a number of forms of temporary association or collaborative groups:

- **Unión Transitoria de Empresas (UTE) (Joint Ventures)** - They are temporary associations of enterprises that have as their objective the development of activities and the completion of shared projects in Argentina or abroad. They are of contractual nature and they therefore do not have legal personality. Foreign companies or individuals can participate in UTEs. The association contract must be filed with the RPC and IGJ.
- **Agrupaciones de colaboración (Collaborative groups)** - The objective of this type of organisation is to create a common organization aimed at optimizing the results of activities carried out jointly by the members. Also in this case they have no legal personality. The members are jointly and severally responsible for the obligations assumed by the representatives. They must be registered with the IGJ.
- **Consorcios de cooperación (Cooperation consortia)** - They are also of a contractual nature, but the members can decide not to be joint and severally liable for the obligations assumed by the representatives. In contrast with the *agrupaciones de colaboracion*, they can pursue pecuniary interests. They must be registered with the IGJ and keep separate accounting records. They can distribute profits between the members.

2.5. International cooperation contracts (Public Private Partnerships PPP)

The Public-Private Partnership (PPP) is a form of cooperation between public and private parties, with the objective to finance, construct and manage infrastructures or provide services of public interest.

They are regulated in Argentina by Law 27.328 of 2016.

Private or public enterprises can participate, including private companies with public participation, except in cases of incompatibility.

They can have a maximum duration of thirty-five years, including any deferments.

Public-private partnerships pertain to infrastructures, housing, services, production, applied research and technological innovation.

The enterprise will be able to receive remuneration paid, depending on the situation, by users, a public client or third parties.

The advantage of this model is private participation in financing of public works, their maintenance and the distribution of risk.

Unfortunately, the macroeconomic situation of recent years, combined with the effects of the Covid-19 pandemic, has forced the government to suspend a number of PPP projects for roads, motorways and electricity lines.

At present, the projects have not yet been resumed, also in view of the upcoming elections.

2.6. The main requirements for setting up a company

To set up a company in Argentina, after having identified the type of company most appropriate to needs, it is necessary to:

- Choose the name: the name must be unique and cannot be the same as the name of other already-existing enterprises. The chosen name must be submitted to the RPC For approval;
- Draw up the articles of association;
- Sign the documentation and the articles of association with the signatures of all the members authenticated by a notary;
- Deposit the share capital with the *Banco Nacional*;
- Publish the incorporation of the company in the *Boletin Oficial*;
- Register the company with the RPC;
- Pay the company's incorporation fee to complete the incorporation process;
- Authenticate the corporate and accounting books;
- Apply for a tax code / *Clave Única de Identificación Tributaria* (CUIT).

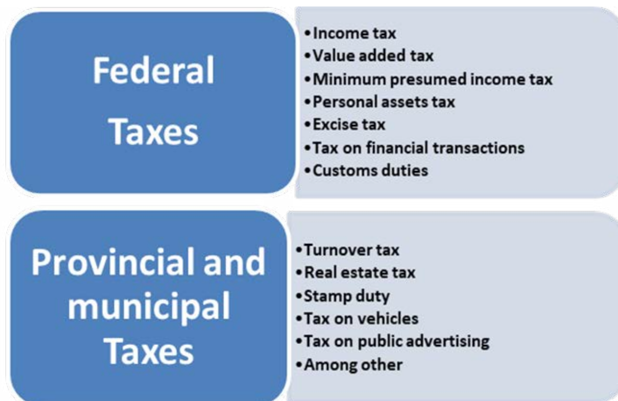
3. The taxation system

3.1. The taxation system

In Argentina taxes are applied at federal, provincial and municipal level.

The federal government imposes income tax, value added tax, minimum presumed income tax, personal assets tax, excise tax, tax on financial transactions and customs duties.

Provincial and municipal jurisdiction impose, among others, turnover tax, real estate tax, stamp duty, tax on vehicles and tax on public advertising.



The main taxes are:

3.1.1. Income tax (IGE)

In Argentina, income tax is a federal tax applied on the global income of all resident Argentinians, as well as legal entities and Argentinian subsidiaries of foreign entities (Law on Income Tax (LIT)).

The tax is due on net income earned in a determined tax year. Income is generally taxed in the tax year in which it accrues, but there are exceptions.

Net income is determined deducting from gross income the costs incurred for obtaining, maintaining and preserving the taxable income. (Article 23 of the LIT).

3.1.2. Tax on the income of resident companies (Corporate income tax)

Companies and local subsidiaries

Law no. 27630 modified the Law on Income Tax (LIT) in Argentina, replacing the fixed 30% rate with a progressive system that goes from 25% to 35%, depending on the net annual income of Argentinian companies and subsidiaries. This modification is applied to tax periods starting from 1 January 2022. A summary table is shown below:

Table of progressive income tax rates for resident.

Net taxable income		Fixed amount ARS	Added %	Over the surplus of ARS
Above ARS	Up to ARS			
ARS 0	ARS 7.604.948,57	ARS 0	25%	ARS 0
ARS 7.604.948,57	ARS 76.049.485,68	ARS 1.901.237,14	30%	ARS 7.604.948,57
ARS 76.049.485,68	Onwards	ARS 22.434.598,28	35%	ARS 76.049.485,68

Source: "Doing business in Argentina". Marval.com

Corporate income tax amounts in Argentina are updated annually starting from 1 January 2022. The updating is based on the annual change in the consumer price index (CPI), determined by the National Institute of Statistics and Census (INDEC).

The rate applicable to profits and dividends paid to shareholders, be they natural persons or undivided estates resident in Argentina or foreign beneficiaries, is 7% in all cases, regardless of the tax rate paid by the company.

Capital Gains

The capital gains of a company are not subject to a specific tax. They are included in the income tax sphere and, as a consequence, are subject to the same rate applicable to ordinary income.

Transfer pricing

Transfer pricing practices take place when an Argentinian company carries out commercial transactions with:

- a related company located abroad, or
- an unrelated company located in a non-cooperative jurisdiction, or
- an unrelated company located in a low or no-tax jurisdiction;

and the prices agreed in said transactions do not reflect normal market practices (that is, they are not at market conditions).

On the basis of the provisions on transfer prices as per article 17 of the LIT, any transaction between related or unrelated companies located in a non-cooperative jurisdiction or in a low or no-tax jurisdiction is considered not to be free competition, unless evidence to the contrary is provided. To establish that the transaction terms are on a level playing field (that is to say, compliant with market conditions), enterprises in Argentina must submit to the Argentinian tax authorities special reports with detailed information, including supporting data and documentation.

In Argentina, commercial transactions between related or unrelated companies located in jurisdictions with favourable tax regimes are considered potentially unfair, unless the Argentinian enterprises provide evidence supporting the agreed prices (art.17 LIT). To demonstrate that prices are fair (in line with market conditions), enterprises must submit to the Argentinian tax authorities special reports with detailed information, including supporting data and documentation.

3.1.3. Income tax on resident individuals

Argentinian residents are taxed on their net global income on the basis of a progressive rate from 5% to 35%, depending on the net income during the tax year.

Table of progressive income tax on resident individuals.

FY 2022 - Accumulated net taxable income		Base tax in ARS	Tax	
From ARS	**to ARS**		**Plus %**	**The ARS amount in excess of**
0.00	97,202.00	0.00	5	0.00
97,202.00	194,404.01	4,860.10	9	97,202.00
194,404.01	291,606.01	13,608.28	12	194,404.01
291,606.01	388,808.02	25,272.52	15	291,606.01
388,808.02	583,212.02	39,852.82	19	388,808.02
583,212.02	777,616.02	76,789.58	23	583,212.02
777,616.02	1,166,424.03	121,502.50	27	777,616.02
1,166,424.03	1,555,232.07	226,480.66	31	1,166,424.03
1,555,232.07	forwards	347,011.16	35	1,555,232.07

Source: “Doing business in Argentina”. Marval.com

Individuals and undivided Argentinian assets are taxed on net profits deriving from the transfer of securities. The tax rate is 5% for securities issued in Argentinian currency without an adjustment clause and 15% for securities issued in foreign currency or with an adjustment clause.
The same rate (15%) is applied to the net income deriving from the sale of real estate or from the transfer of property rights.
Argentinian residents are, however exempt from taxes on gains arising from the transfer of shares, securities representing shares and depositary receipts for shares, if such transactions are carried out through stock exchanges or stock markets authorized by the Argentine Securities and Exchange Commission.

3.1.4. Tax on the income of foreign beneficiaries

In general, foreign beneficiaries of Argentine source income are subject to withholding tax. The Argentinian payer is responsible for payment of the tax to the Argentinian tax authorities.

To determine the effective rate of the withholding tax, a rate of 35% is applied to the net presumed income provided by the LIT which varies according to the type of income. For some types of income, the LIT allows the foreign beneficiary to apply the rate of 35% on the actual net profit obtained, rather than on the presumed amount provided for by the LIT. If the local payer assumes the obligation to support the tax burden of the foreign Beneficiary, the net amount to pay must be grossed-up to an amount equal to the tax paid by the Argentinian payer.

Argentina is signed up to a series of Conventions to avoid double taxation that impose caps on the withholding rates of certain taxable profits and which can reduce the rates of national withholding tax.

Capital gains

Foreign beneficiaries that sell shares, securities representing shares and depositary receipts for shares of Argentinian companies are subject to withholding tax at source.

The withholding rate is 15% if the seller is situated in a cooperative jurisdiction, or 35% if the seller is situated in a non-cooperative jurisdiction.

If the buyer is an Argentinian resident, they are responsible for the payment of the tax to the Argentinian tax authorities. If the buyer is also a foreign beneficiary, the tax must be paid by the seller.

The LIT provides for an exemption for capital gains obtained by foreign beneficiaries that do not reside in non-cooperative jurisdictions and the funds do not originate from said jurisdictions.

In addition, the LIT provides for an exemption for interest and/or profits accrued and for any capital gains deriving from any form of assignment of public and negotiable bonds issued by Argentinian companies (if certain conditions are met).

Indirect sale of assets situated in Argentina

Foreign beneficiaries that sell shares, equity interests or rights of foreign companies are subject to withholding tax at source in Argentina if the value of said shares, equity investments or rights represent at least 30% of the assets of the foreign entity in Argentina or 10% of its equity.

The rate of the withholding tax is 15% on the net gain or 13.5% on the gross amount of the transaction, but only in proportion to the Argentinian equity investment in relation to the value of the shares sold.

The tax is not applied if the transfer occurs within an economic group or if the shares, equity investment or rights were acquired before 1 January 2018.

3.1.5. Personal assets tax

The law on personal assets, no. 23966, as amended, establishes that:

- All Argentinian residents and undivided estates located in Argentina are subject to a tax on their global assets held at 31 December each year;
- Individuals not resident in Argentina and undivided estates not located in Argentina are subject to this tax only on their assets in Argentina.
- Shares, other equity investments and securities are considered to be in Argentina only if issued by an entity domiciled in Argentina.

Argentinian residents and undivided estates located in Argentina are subject to a tax on assets if the value of their assets exceeds 6 million ARS. If the value of assets exceeds this amount, the tax is applied only on the excess amount and is calculated as follows:

Table of progressive tax rates for personal assets.

Overall amount of the assets exceeding the tax allowance		Payment of fixed amount of ARS	Plus a variable amount of %	Over the amount exceeding the sum of ARS
More than ARS	To ARS			
0	3.000.000	0	0,50%	0
3.000.001	6.500.000	15.000	0,75%	3.000.000
6.500.001	18.000.000	41.250	1,00%	6.500.000
18.000.001	100.000.000	156.250	1,25%	18.000.000
100.000.001	300.000.000	1.181.250	1,50%	100.000.000
300.000.001	Onwards	4.181.250	1,75%	300.000.000

Source: “Doing business in Argentina”. Marval.com

If, however, the assets are located outside Argentina, the tax will be calculated as follows:

Table of progressive tax rate for foreign personal assets.

Overall amount of the assets exceeding the tax allowance		Will Pay the %
More than ARS	To ARS	
0	3.000.000	0,70%
3.000.001	6.500.000	1,20%
6.500.001	18.000.000	1,80%
18.000.001	Onwards	2,25%

Source: “Doing business in Argentina”. Marval.com

Non-residents and undivided estates not located in Argentina are subject to this tax only on the value of their assets held in Argentina, with a fixed rate of 0.50%.

The tax on shares and other equity investments in Argentinian companies is paid by the local company itself, which may request a refund from its shareholders. The applicable rate is 0.50% on the net value of the company.

3.1.6. Value added tax (VAT)

Value added tax (VAT) is applied to the sale goods, the provision of services and the importation of goods into Argentina. Services rendered outside Argentina that are actually used or exploited in the country (the importation of services) are considered rendered in Argentina and are therefore subject to VAT to the extent that the recipient of the service is a taxpayer with a VAT number. In addition, digital services rendered abroad are taxed independently of the tax status of the recipient of the services.

Exports of goods and exports of services (services rendered in Argentina which are effectively used or exploited abroad) are not subject to VAT.

VAT is paid in every phase of the production or distribution of goods and services on the basis of the value added in each phase. This means that the tax does not have a cumulative effect. The tax is collected on the difference between the so-called "tax debt" and "tax credit". The difference between the "tax debit" and the "tax credit", if positive, is the amount to be paid to the Argentinian tax authorities. The current general rate of this tax is 21%. Sales and imports of capital goods, however, are subject to VAT at the lower rate of 10.5%.

VAT law provides that, in certain cases, after 6 consecutive tax periods starting from that in which it was calculated, tax credits originating from the purchase, construction, manufacture or definitive importation of capital goods (with the exception of automobiles) that have created a favourable balance can be refunded in cash. If, after 60 months, starting from the month following the refund, the sums received have not been applied to determined tax debits generated by the taxpayer, the responsible party must refund an amount equal to the credits not applied.

3.1.7. Tax on credits and debits to bank accounts

This tax is applied to debits and credits to Argentinian bank accounts and to other transactions that, due to their particular nature and characteristics, are similar to, or could be used instead of a bank account, such as, for example, payments on behalf of or in the name of third parties. The transfer and delivery of funds also comes within the application of this tax, independently of the person or entity that perform them, when said transactions are carried out through payment systems organised in replacement of bank accounts. The law and tax regulations provide for various exemptions from this tax.

The general tax rate is 0.6% on every credit or debit to bank accounts. An increased rate of 1.2% is applied in cases in which there has been a replacement of the use of a bank account. In both cases, 33% of the tax so paid can be calculated as an income tax

credit. In some cases, a reduced rate of 0,075% can be applied, in which case, only 20% of the tax so paid can be calculated as a credit.

3.1.8. Turnover tax (tax on gross income)

Turnover tax is a local tax collected on gross income (revenues) deriving from commercial activities carried on in one of the twenty-three (23) Argentinian provinces and in the City of Buenos Aires. Each of the provinces and the City of Buenos Aires apply different rates on different activities and provide for different fiscal exemptions. To avoid the double or multiple imposition of tax on activities carried on in a number of jurisdictions, all the twenty-three (23) Argentinian provinces and the City of Buenos Aires have entered into a Multilateral Agreement on the basis of which taxpayers divide up the tax base of the turnover (revenues) between the different jurisdictions, applying a coefficient based on the revenues obtained and the costs incurred in each jurisdiction. Once the revenues have been allocated between the interested jurisdictions, each of them applies the tax treatment and the rates established by the respective local regulations.

3.1.9. Stamp duty

Stamp duty is a provincial tax applicable to the formal execution of public and private instruments that have a pecuniary interest carried out in Argentina or, if carried out abroad, are considered to have effects in one or more relevant jurisdictions within Argentina.

The rate depends on the province, but is generally 1%, whereas the rate applicable to real estate transaction is, generally, higher.

All parties are jointly and severally liable for the payment of this tax. The tax is applied in the same way also by the City of Buenos Aires.

3.1.10. Conventions to avoid double taxation

LArgentina has signed conventions to avoid double taxation with the following countries: Australia, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Italy, Mexico, Norway, Russia, Spain, Sweden, Switzerland, Holland, United Arab Emirates, United Kingdom, Qatar and Uruguay.

The Argentinian executive has signed tax treaties with Austria, China, Japan, Luxembourg and Turkey, but are awaiting approval by the Argentinian Congress. In general,

these treaties are based on the OCSE model. Today, there is no tax treaty in force between Argentina and the United States

Main aspects of the Double Tax Treaty (DDT) with Italy:

- dividends: withholding tax limited to 15% (Argentina currently imposes a withholding tax of 10% more than the potential GI);
- interest: Withholding tax limited to 20%; interest payments for loans agreed between Argentina and Italy are exempt;
- royalties: limitation of 10% for copyright and 18% for all other cases, through registration with the INPI;
- capital gains derived from the sale of company shares are taxed depending on residence;
- employment: shared authority, unless the beneficiary exceeds 183 days in a calendar year;
- other income is only taxable in the state of residence; non-discrimination clause;
  - information exchange clause
  - amicable settlement procedure;
- tax credit clause available for residents of both states. In the case of dividends, interest and royalties, the Argentinian tax is to be considered as paid at the rate fixed by the DDT.

3.1.11. Tax incentives and tax-free zones

Tax incentives are available for a number of sectors, such as mining, forestry, renewable energy and the production of bio-fuels.

There is a tax-free zone in the province of Terra del Fuoco, with incentives for a number of activities carried out inside the zone, including exemption from corporate income tax, net wealth tax and excise duties.

There are tax incentives to promote economic activities that use the knowledge and digitalisation of information, supported by scientific and technological progress to obtain goods, together with the supply of services; the process is defined as “the Knowledge Economy”. The tax benefit includes:

- tax stability until 31 December 2029;
- reduction in the income tax rate (60% for small and micro-enterprises; 40% for small enterprises and 20% for large enterprises);

- exemption from VAT withholdings and additional withholdings;
- a tax credit of 70% or 80% that permits the crediting of a number of social security contributions paid against national taxes.

3.2. Audits and compliance

3.2.1. Requirements for the preparation, revision, approval and disclosure of annual accounts/annual financial statements

Article 63 and the following of the Argentinian company law establishes the requirements that the financial statements must satisfy, and they are as follows:

- the information must be grouped so as to be able to distinguish current assets from total non-current assets and total current liabilities from total non-current liabilities;
- rights and obligations must be indicated, specifying if they are documented, with real guarantees or other;
- assets and liabilities in foreign currency must be indicated separately in the corresponding items;
- different items cannot be offset with each other;
- the income statement must be presented so as to highlight separately the profit or loss from ordinary and extraordinary operations of the company, determining the net profit or loss for the financial year to which those deriving from pervious financial periods are added or subtracted. The different headings cannot be offset with each other;
- the income statement must be completed by the statement of changes in equity. It will include the causes of variations occurring during the year in each of the items making up equity;
- a copy of the financial statements, together with the relative documentation, must be kept at the registered office, available to the shareholders, for not less than fifteen (15) days before its examination by them. If appropriate, copies of the directors' report and the trustees' report shall be kept available.

3.2.2.Annual compliance requirements

According to Argentinian law, annual compliance requirements consist in:

- approval of the annual financial statements;
- filing the financial statements with the Public Registry, if applicable according to the type of entity. Limited liability companies are not obliged to file their financial statements with the Public Registry, unless they have a share capital above 50,000,000 AR$ (around 475,000 USD);
- appointment of authorities, in cases where the articles of association provide for a mandate of only one year or one fiscal year.
- payment of an annual fee according to Public Registry regulations.

It should be noted that every Argentinian provincial jurisdiction (with the exception of the City of Buenos Aires which has its own public registry, the Public Registry) has the power to issue its own regulations on registration requirements. As a result, depending on the Argentinian province in which the company is incorporated, there could be further requirements to comply with.

For example, the Public Registry of the City of Buenos Aires has imposed an annual compliance regime applicable to foreign entities registered in Argentina, which consists essentially in the disclosure of significant assets located outside Argentina, of information on their shareholders and on the Ultimate Beneficiary Owner (UBO).

3.2.3.The General Meetings of shareholders'/stakeholders

Argentinian company law provides that the annual general meeting (AGM) is held according to the indications below:

- the general meeting must be convened within 4 months from the end of the tax year;
- the management body must take into consideration (i) a document called "memoria" in which the management body refers mainly to the memorial situation of the company in the various activities in which it has operated and includes its opinion on the business outlook and other aspects considered necessary to illustrate the current and future situation of the company, (ii) the annual financial statements and (iii) the convening of the annual general meeting;
- there is no specific deadline for holding the General Meeting;

- the General Meeting must take into consideration at least the following matters: (i) the document called “memoria”, (ii) the financial statements, (iii) the result for the tax year, (iv) the performance of the board of directors and (v) management body fees.

3.2.4. Reporting/notification/disclosure obligations on beneficial ownership and ultimate beneficiaries (UBO) of the entity

It’s a requirement not indicated by Argentinian company law, but in the regulations issued by the Public Registry of each jurisdiction.

For example, in the case of the Public Register of the City of Buenos Aires, the regulations establish the following:

- In the registration procedures carried out by any company, a sworn declaration indication of the UBO must be filed.
- the UBO must be a person that meets the characteristics established by the Financial Information Unit;
- it must be accompanied by supporting documentation;
- in the event that the majority stake of a company corresponds to a company that makes a public offer of its marketable securities, listed on an authorized local or international market, and is subject to transparency and/or disclosure requirements, this circumstance must be indicated in order to be exempt from the identification requirement.

3.3. IFRS

Argentina is a federal republic composed of 23 provinces and the autonomous City of Buenos Aires. All the jurisdictions have professional boards appointed to issue professional accounting and auditing standards. The principles issued by each board are obligatory only for professionals registered in the respective jurisdiction.

All the Argentinian professional boards are members of the FACPCE (Argentinian federation of professional boards in economic sciences), an organisation charged with coordinating efforts for the issuing of professional accounting and auditing standards. The FACPCE issues technical resolutions (TR), with general auditing and accounting principles.

In 1998, FACPCE's governing council decided to implement a plan to adapt professional accounting standards to IAS (International Accounting Standards) proposed by the IASC (International Accounting Standards Committee). The plan envisaged:

- the definition of a general framework for Argentinian professional accounting standards;
- the adoption of reference parameters or acceptable alternatives contained in a number of IAS selected for the first phase of the harmonization plan. These should not be significantly inconsistent with the overall framework. The aim and the final result of the original plan was not a complete merger of the two systems, but an "assimilation" of international accounting standards.

3.3.1. The adoption of the IFRS (International Financial Reporting Standards) in Argentina has the following characteristics:

1. Sphere of obligatory application

- The application of IFRS is obligatory in the financial statements of entities included in the public offer system (Law 17.811). A number of exemptions are applied, for example, for entities authorised by the CNV to adopt the accounting methods of a different regulatory body, such as companies covered by the law on financial institutions, insurance companies, cooperatives and civil associations.
- From 1 January 2016, the obligatory adoption of the IFRS was extended, with TR 43, to the separate financial statements of parent companies. Until the issue of TR 43, the IFRS were applied to their consolidated financial statements on a global basis. In separate financial statements, however, the fair value and cost alternatives provided for by IAS 27 cannot be used to value equity investments in subsidiaries, associated companies and joint ventures, as the FACPCE requires the compulsory adoption of the equity method, which has been incorporated by the IASB as a third valuation alternative after the revision of IAS 27 in 2014.
- It should be noted that, for controlling entities, the separate financial statements must be considered for all statutory purposes in Argentina. The consolidated financial statements provide supplementary information.

2. Optional application of the IFRS

- SMEs are able to apply the IFRS or the IFRS for SMEs, according to TRs 26 and 29 of the FACPCE. They should follow the IASB and have the same restrictions mentioned in the previous section.
- The IFRS cannot be used by the SMEs that are excluded from application by the IASB. This includes entities whose debt or equity instruments are traded on a public market or which are intending to issue such instruments, or when one of their main activities is holding assets as trustee for a large group of third parties.
- In all events, application of the IFRS or the IFRS for SMEs must be approved by the respective corporate bodies.

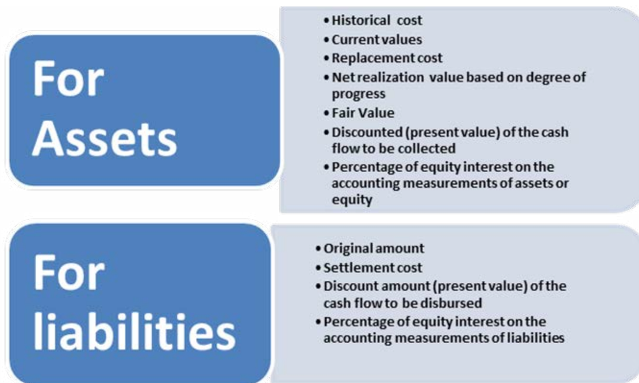
3. Units of measurement

- The nominal value must be used as the unit of measurement. Exceptions are applied, for example, when price indices show a cumulative change over a three-year period equal to or greater than 100%. Other qualitative reasons can be used as motivation, with some limitations.
- If the conditions have been met for the restatement of the financial statements in foreign currency, it is necessary to comply with a number of rules:

  a. the adjustment must be made during the tax year in which the event occurred;
  b. adjustments for the purchasing power of the currency can be applied from 2003 (when the accounting standards stopped adjusting for inflation in Argentina) or from the incorporation of the company (if after 2003).
  c. The cumulative change in the price indices referred to in the previous sections must be determined on the basis of the national wholesale price index published by INDEC.

4. Measurement methods

The accounting measurements used depend on the nature of the assets or liabilities:



The FACPCE has established that, if any items do not have a defined accounting treatment, the following principles must be applied:

- the provisions established for similar or correlated items;
- the general principles of accounting measurement;
- the concepts included in the general framework of said principles.

If the question cannot be resolved or a solution is not apparent on the basis of the primary sources mentioned, the Management of the entity can use the following supplementary sources:

- the IFRS approved and issued by the IASB;
- the most recent pronouncements of other issuers that use a similar general framework for issuing accounting standards;
- accepted practices in various industries or sectors;
- accounting jurisprudence.

These methods can be used if not in contradiction with the primary sources and until the FACPCE issues a specific standard on the question.

4. The labour market

The labour market in Argentina has faced various challenges and changes over the years, with a series of factors that have influenced employment and the overall economic situation of the country.

Argentina has had a high rate of unemployment over the years, often over 9%. In recent years the percentage has fallen significantly, arriving at a rate of 6.90% in January 2023 and 6.20% in June 2023 with a number of unemployed equal respectively to 974,000 and 872.000.

The country has faced structural economic problems for years, including high inflation and devaluation of the currency. All these factors have contributed to economic uncertainty, making the creation of stable jobs more difficult.

The most significant sectors for employment are agriculture, the food industry, tourism, the automobile industry and the IT sector, which have been traditionally important for the labour market.

Another important aspect is informal labour, a persistent problem in Argentina. Many people work in unregulated sectors or under an unofficial form of employment to avoid taxes and regulations. All this can make the collection of accurate data on the employment situation difficult.

Due to economic difficulties and instability, many highly qualified Argentinians have sought job opportunities abroad. This “brain drain” can influence the labour market, leaving a shortage of qualified workers in certain sectors.

4.1. Employment laws

In Argentina employment law is mainly regulated through the Labour Code (*Còdigo de Trabajo*) and other correlated laws. These laws establish the rights and obligations of workers and employers, working conditions, wage norms and other matters relating to employment.

The law establishes that an employment contract must be entered into in writing, and must include detailed information on working conditions, duties, pay, working hours and other significant details. Employment contracts can be fixed or permanent, depending on the needs of the employer and the type of work.

Argentina establishes a minimum, living and mobile wage (*Salario Minimo, Viutal y Mòvil*) which is updated periodically to guarantee an adequate standard of living for

workers. This minimum wage is fixed by the Government in consultation with trade unions and employers.

The law regulates working hours, establishing maximum daily and weekly limits. Overtime must be paid with at an increased rate.

The Argentinian Government establishes rules and regulations to guarantee a healthy and safe work environment, including the prevention of accidents at work and occupational diseases.

Workers, moreover, have the right to various forms of protection, including the right to strike, the right to paid holidays and maternity and paternity leave.

Trade Unions are present in the territory to organise and negotiate collectively with employers. Collective agreements between trade unions and employers often establish working conditions in specific sectors.

For dismissal, there are specific requirements and procedures, and entails compensation obligations on the part of the employer if it is unjustified.

The law establishes discrimination based on race, gender, religion, sexual orientation, disability and other protected factors, including also respect of workers' human rights.

In the event of disputes between workers and employers, Argentina has a legal system that enables the resolution of disputes through legal action or trade union negotiations.

4.2. Employment contracts

Employment contracts in Argentina, as in the case of employment law, are both regulated by the Labour Code (*Còdigo de Trabajo*) and by correlated laws. The types of contracts can be subdivided as follows:

1. **The fixed term contract *(Contrato a Plazo Fijo)***: this type of contract has a specific deadline or is linked to a project or a trial period. As a rule, it is used when the work is temporary or seasonal. Such a contract must be drawn up in writing and must specify the exact duration and conditions of the job;
2. **The permanent contract *(Contrato a Tiempo Indeterminado)***: in this contract, hired workers enjoy greater employment stability. The Labour Code regulates the rights and obligations of both the workers and the employers in these types of permanent contracts;
3. **The Apprenticeship contract *(Contrato de Aprendizaje)***: this contract is used for the hiring of apprentice, usually young people or people undergoing training, to

provide an opportunity to learn a trade or a specific profession. Again in this case, the duration and conditions of this contract are regulated by law.

4. **The part-time contract *(Contrato a Trabajo a Tiempo Parcial)***: this contract is used for office workers that work fewer hours compared to those working full-time. It sets out the working conditions and benefits proportional to reduced working hours;
5. **On-call contracts *(Contrato por Hora)***: this type of contract is used for temporary or occasional workers, such as those in the agricultural or domestic work sector. Workers are paid on the basis of the hours effectively worked.

5. Forms of incentive and support to investors and businesses

Argentina is a territory in which there are different forms of incentive and support available for investors and businesses. Unfortunately, however, the economic situation and government policies that tend to be unstable may vary over time, so it is essential to establish the type of activity to develop with the help of specialized professionals who can assist the investor/businessman, mitigating possible country-based risks.

The main forms of incentives made available by the Argentinian government can be summarised as follows:

1. **Promotion of Investment**: the Argentinian government offers tax and financial reliefs to businesses that invest in certain sectors or strategic regions. These incentives include tax exemptions, tax credits and concessions on electricity tariffs or on local taxes. Here are some of the main initiatives to promote investment in Argentina:

    - *Economic Development Plans:* the Argentinian government has implemented economic development plans that establish clear objectives for economic growth and the attraction of investments. These plans can include tax incentives, concessions for access to credit and support for strategic sectors.
    - *Law for the Promotion of Productive Investments:* this law offers a series of tax incentives for investors that implement productive investment projects in the country. The incentives can include tax exemptions, relief on Income Tax (Ganancias) and concessions for the importation of machinery and equipment.
    - *Promotion of Renewable Energy:* Argentina has incentivised investments in renewable energy through tax reliefs and subsidised financing for solar, wind and other renewable energy projects.
    - *Free Trade Zones:* the free trade zones in Argentina offer tax and customs benefits for businesses operating inside these areas, making investments more attractive.
    - *Simplification of Procedures:* the government has made efforts to simplify bureaucratic procedures and reduce complexity for investors. This includes a reduction in business registration times and the simplification of customs procedures.

- *Support to Foreign Investment:* Argentina has sought to attract direct foreign investments through bilateral investment treaties (BIT) with numerous countries and international organisations.
- *Strategic Sectors:* the government has identified strategic sectors for the economic development of Argentina, such as agriculture, energy, infrastructures and IT technologies. Investments in these sectors can benefit from specific incentives.
- *International Trade Treaties:* Argentina seeks to open up new markets and increase investment opportunities through international trade treaties and free trade agreements.
- *Promotion of Start-ups:* the government offers specific support and incentives to promote the development of start-ups and innovative enterprises.

2. **Promotion of Exports**: businesses that export goods and services can benefit from government incentives, such as value added tax (VAT) rebate programmes on exports and concessions for access to international markets:

- *VAT Rebate Programmes:* the government offers Value Added Tax (VA) rebate programmes on exports to reduce export costs and make Argentinian products more competitive in international markets.
- *Tax breaks for Exports:* Businesses that export goods and services can benefit from tax breaks, including exemption from Income Tax (Ganancias) and other tax incentives.
- *Promotion of Agricultural Exports:* Argentina is one of the world's leading agricultural producers, and the government promotes the export of agricultural products through incentive programmes and specific reliefs for the agricultural sector.
- *Promotion of Industrial Exports:* the government supports the export of manufactured products through tax incentives, subsidised financing and assistance for accessing international markets.
- *Export Development Fund (Fondos de Desarrollo de las Exportaciones - FONDEX):* this programme provides funding for projects aimed at promoting and developing exports, including promotion initiatives in foreign markets.
- *International Trade Agreements:* Argentina is a party to various bilateral and multilateral trade agreements that facilitate exports. These agreements include Mercosur (the Southern Common Market) and free trade agreements with various countries.

- *Promotion of Technological Exports:* the government promotes the exports of technological products and services through support programmes to innovative enterprises and technological start-ups.
- *Participation in Trade Fairs and Trade Missions:* Argentinian businesses can take part in international trade fairs and trade missions organised by the government to promote their products and services in foreign markets.
- *Customs Reliefs:* a number of customs reliefs can reduce export costs, simplifying customs procedures and accelerating customs clearance times for goods.
- *Promotion of Exports of Services:* Argentina seeks to promote the export of services, including those linked to tourism, education and information technologies.

3. **Single Tax System**: as already mentioned, the Single Tax System offers preferential tax rates and simplifications for micro and small businesses. This simplified tax system is specifically designed for micro and small businesses. Enterprises registered in this system have preferential tax rates and social security contributions with respect to the general system. Some of the categories and relative tax rates are set out below:

- Category A: up to 208,739.25 ARS per year (Approx. 2,250 USD) Tax Rate: 5.0% (percentage of turnover) Social Security Contributions: 6.0% (percentage of turnover)
- Category B: up to 313.108,88 ARS per year (Approx. 3,375 USD) Tax Rate: 6.5%, Social Security Contributions: 6.0%
- Category C: up to 417.478,50 ARS per year (Approx. 4,500 USD), Tax Rate: 8.0%, Social Security Contributions: 6.0%
- Category D: up to 626,217.75 ARS per year (Approx. 6,750 USD), Tax Rate: 9.0%, Social Security Contributions: 6.0%
- Category E: up to 834,957.00 ARS per year (Approx. 9,000 USD), Tax Rate: 11.0%, Social Security Contributions: 6.0%
- Category F: up to 1,251,565.50 ARS per year (Approx. 13,500 USD), Tax Rate: 13.0%, Social Security Contributions: 6.0%

4. **Subsidised loans**: businesses can access subsidised loans through government programmes, financial institutions and local banks. These loans can be used to purchase equipment, business expansion or innovation. The main financing instruments are as follows:

- *Banks and Financial Institution:* banks and financial institutions in Argentina offer a variety of loans and lines of credit to businesses. The loan conditions can vary, but often include competitive interest rates and favourable terms.
- *FONDEAR: FONDEAR (Fondo Nacional de Desarrollo Productivo)* is a national fund that offers long-term loans to businesses to promote investment and productive development. These loans are intended for investment and modernisation projects.
- *Guarantees and sureties:* in Argentina, there are government programmes and specialised institutions that provide guarantees and sureties for commercial loans, helping businesses to obtain loans with more favourable conditions.
- *BID-FOMIN: Il BID-FOMIN (Fondo Multilateral de Inversiones del Banco Interamericano de Desarrollo)* offers loans and technical support to small and medium enterprises to promote innovation and growth.
- *Fondo Semilla:* this fund is managed by the ministry of Industry and provides non-repayable loans to innovative businesses and start-ups. It is designed to support innovation and technological development.
- *Provincial Programmes:* a number of provinces in Argentina offer subsidised loans to local businesses, often in collaboration with regional bodies or chambers of commerce.
- *Sectoral programmes:* in a number of specific sectors, such as agriculture or renewable energy, there may be subsidized financing or grants to promote investment and development.

5. **Concessions for Research and Development**: Businesses that invest in research and development can benefit from tax breaks and tax credits to incentivize technological innovation. All investments in research and development (R&D) can benefit from incentives in the form of tax credits and tax reductions. The main instruments are as follow:

   - *Tax credits for research and development:* businesses that invest in research and development projects can benefit from tax credits, which reduce income tax on economic activities (IRAE). These credits make it possible to recuperate a part of the investments made in R&D.
   - *Subsidised loans:* subsidised loans and financing on the part of public and private financial institutions, as well as of government agencies dedicated to technological development and innovation are available. This funding can be used to sustain R&D projects.
   - *Concessions for staff training:* businesses that invest in training and in the development of their workers' skills can benefit from incentives under the form of tax credits or reductions.
   - *Incentives for collaboration between businesses and universities:* the Argentinian government promotes collaboration between the private sector and academic institutions to foster the transfer of scientific knowledge to industrial practice. This may include tax and financial benefits for businesses involved in in projects with universities and research centres.
   - *Innovation certifications:* businesses that develop new products, processes or services can obtain innovation certifications that give them competitive advantages and tax breaks.
   - *Participation in government R&D programmes:* the Argentinian government offers specific grant and financing programmes for R&D projects in key sectors, such as renewable energy, biotechnology, information technology and health.
   - *Concessions for the import of laboratory equipment and materials:* customs concessions may be available for the importation of laboratory equipment and materials necessary for scientific and technological research.
   - *Technology promotion schemes:* in a number of provinces in Argentina, technology promotion schemes are available that offer tax and financing incentives for businesses that invest in technology and innovation.

6. **Skills Training and Development**: the government can offer skills training and development programmes for the employees of businesses with the aim of improving their productivity and competitiveness. The main instruments are as follows:

- *Work Training Programme (Programa de Entrenamiento para el Trabajo - PET):* his programme offers training courses and internship for young and unemployed people in order to improve their skills and work opportunities. Government bodies collaborate with businesses to provide this training.
- *Work Qualification Programme (Programa de Qualificación para el Empleo - PROEMPLEAR):* this programme aims at improving the qualification and training of workers in Argentina, focusing on key sectors of the economy such as industry and services.
- *National Continuous Training Programme (Programa Nacional de Formación Continua - FORMAR):* this programme offers continuous training and skills development for workers employed in various industries. The objective is to update and improve their skills in order to remain competitive in the labour market.
- *Technical and Professional Training Programme (Programa de Formación Técnico Profesional - FOTEP):* this programme focuses on technical and professional training for young people and adults that wish to acquire specific skills for the labour market.
- *Sectoral Programmes:* in Argentina, there are specific training programmes for key industrial sectors, such as agriculture, renewable energy, the manufacturing industry and others. These programmes aim at developing specialised skills in sectors of major economic importance.
- *Entrepreneurship training:* a number of programmes offer training and support for entrepreneurs that wish to start-up or expand their businesses. This can include business management, access to credit and technical assistance courses.
- *Apprenticeship schemes:* apprenticeship schemes allow young people to acquire practical experience in a job while undergoing formal training. These programmes are developed in collaboration with businesses and educational authorities.
- *Technological Training programmes*: to promote technological innovation, there are programmes that offer specific training in the field of information technologies, robotics and other advanced technologies.

7. **Employment Incentives**: a number of programmes can offer incentives to businesses for the hiring of new employees, particularly the young and unemployed. There can be tax or financial benefits for companies that take on new employees, especially if relating to young or long-term unemployed people. The main incentive instruments are as follows:

    - *"Potenciar Trabajo" programme:* this programme aims at promoting employment and social inclusion through the allocation of economic incentives to businesses that hire the unemployed or people in vulnerable situations. The programme can also provide training and technical assistance to the participating businesses.
    - *Youth Employment subsidies:* the Argentinian government has set up incentive programmes for businesses that hire young workers. These programmes can include tax reliefs and subsidies to businesses for hiring unemployed young people.
    - *Incentives for hiring long-term unemployed people:* a number of programmes aim specifically at supporting the hiring of people that have been unemployed for a long period of time. These programmes can provide tax breaks or subsidies to businesses that hire long-term unemployed people.
    - *Apprenticeship Programmes:* the Argentinian government promotes apprenticeship programmes that allow businesses to provide job training. These programmes can offer tax advantages to participating businesses.
    - *Regional Incentives:* in a number of regions of Argentina, local authorities can offer incentives to businesses that create jobs in specific sectors or in geographical areas designated as priority development zones.
    - *Concessions for the hiring of people with disabilities:* the Argentinian government promotes the hiring of people with disabilities and offers incentives to businesses that hire people with disabilities, such as tax breaks and contribution concessions.
    - *Training and Qualification programmes:* a number of programmes offer professional training and qualification to unemployed people or at risk of unemployment, preparing them for entry into the labour market.
    - *Concessions for Start-ups:* to promote the creation of new businesses and employment, the government can offer specific incentives to start-ups, including tax breaks and subsidised loans.

8. **Concessions for Access to Credit:** the Argentinian government has implemented a series of programmes and concessions for facilitating businesses' access to credit. These programmes are designed to support businesses, particularly small and medium enterprises (SMEs) in obtaining more favourable loan conditions. A number of the main concessions for access to credit in Argentina are set out below:

- *State Guarantee Programme (Programa de Garantía del Estado - PRONAFE):* this programme provides state guarantees for commercial loans to SMEs. The state guarantees can reduce the risk for banks and increase the possibility to obtain a loan at lower rates.
- *Credit Support Programme (Programa de Apoyo al Crédito - PAC):* the so-called "PAC" is a government programme that offers subsidised financing for SMEs through banks and financial institutes. SMEs can obtain loans at favourable rates for business investment and expansion.
- *Fondo Nacional de Desarrollo Productivo (FONDEAR):* FONDEAR is a national fund that offers long-term loans to businesses to promote investment and production development. Businesses can access subsidised loans through this fund.
- *Support programme for the Agro-industrial Sector:* the Argentinian government has set up specific programmes to support the agro-industrial sector, including tax breaks and subsidised loans for agricultural and agri-food businesses.
- *Export-Import Bank Concessions:* the Export-Import Bank of Argentina (Banco de Inversión y Comercio Exterior - BICE) offers subsidized loans to promote international trade. These loans can be used for export and import projects.
- *Loans for Innovation:* the Argentinian government supports technological innovation through subsidized loan programmes for businesses that invest in research and development.
- *Provincial programmes:* a number of provinces in Argentina offer subsidised loan programmes to local businesses. These programmes can vary from province to province.
- *Tax Incentives for Credit to SMEs:* a number of tax breaks can be applied to banks or financial institutions that grant loans to SMEs, encouraging them to offer more favourable conditions.

9. **Sectoral programmes:** in a number of specific sectors, such as agriculture, renewable energy or the manufacturing industry, the Argentinian government has developed various special incentive programmes to promote the development of specific sectors. The main instruments are as follows:

- *Renewable Energy Promotion Program:* this programme aims at promoting the use of renewable energy sources, such as solar and wind energy, through tax incentives, concessions for the purchase of equipment and subsidized loans for business operating in the renewable energy sector.
- *Automotive Industry Promotion Program:* Argentina has a developed automotive sector, and the government can offer tax breaks and other incentives to automotive businesses to promote investment and production in the sector.
- *Agriculture Support Programme:* Agriculture is a key sector for the Argentinian economy, and the government offers financing and tax break programmes to support agricultural and agri-food businesses.
- *Industrial Manufacturing Development Programme:* to promote national production and industrialisation, the government can implement programmes to support manufacturing businesses, providing financing, tax breaks and technical assistance.
- *Information and Communications Technologies (ICT) Programme:* the Argentinian government can promote the ICT industry through financing and support to technological innovation.
- *Mining Sector Programmes:* Argentina has significant mineral resources, and there can be programmes to support the sustainable mining of resources and the development of the mining industry.
- *Tourism Support Programme:* tourism is an important sector for Argentina, and the government can offer incentives to promote internal and international tourism.
- *Technological Development Programmes:* to promote innovation and scientific research, there can be technological development programmes that offer loans and concessions to businesses involved in research and development projects.
- *Health Industry Promotion Programme:* this programme can incentivise the development of the pharmaceutical industry and medical technologies through tax breaks and loans.
- *Energy and Environment Programmes:* to face the challenges linked to energy and the environment, specific programmes can be implemented to promote

energy efficiency, protection of the environment and the development of sustainable technologies.

10. **Free Trade Zones**: In Argentina there are Free Trade zones that offer preferential tax conditions to companies that operate in these zones, encouraging investment and production, import-export and the creation of jobs. Free Trade zones offer a facilitated trading environment and can be attractive for businesses interested in exploiting these breaks. A number of the characteristic features of Argentinian Free Trade zones are as follows:

- *Tax Exemptions:* businesses that operate in free trade zones can benefit from exemptions on taxes such as Value Added Tax (VAT), income taxes, and customs fees for imported and/or exported goods.
- *Simplified customs procedures:* Customs operations inside the free trade zones are simplified, which can accelerate import and export processes.
- *Concessions for Exports:* businesses in free trade zones can benefit from concessions for exports, including advantages in shipping costs and tax breaks.
- *Investments:* free trade zones can attract direct foreign and national investments in sectors such as production, logistics, assembly, the food industry and others.
- *Local Economic Growth:* free trade zones can contribute to economic growth of the surrounding regions through the creation of direct and indirect jobs and the attraction of complementary businesses.
- *Diversified Sectors:* the free trade zones in Argentina can be specialised in a vast range of sectors, including industrial, logistics, technological sectors and others.

The main Free Trade Zones in Argentina are the following:

- *Buenos Aires Free trade Zone:* situated in the capital of Argentina, this Free Trade Zone is one of the largest in the country and is mainly dedicated to international trade and industry.
- *Tierra del Fuego Free Trade Zone:* this Free Trade Zone is situated in the province of Tierra del Fuego, in the southern part of Argentina, and is renowned for the production of electronics and technological devices.
- *Rosario Free Trade Zone:* situated in the city of Rosario, this Free Trade Zone is focused on the logistics sector and exports.

- *Córdoba Free Trade Zone:* this Free Trade Zone is situated in the province of Córdoba and is focused on the production and the exportation of manufactured goods.

To conclude this brief overview of the tools of attraction offered by the Argentinian government, it is necessary to take into consideration that said instruments can vary over time and according to government policies. Businesses therefore interested in accessing any instrument facilitating or attracting investments in Argentina should make use of the advice and specific skills of qualified professionals beforehand, in order to consider every possible element suitable for mitigating the risks inherent in the investments, including so-called country-risk, in the preparation of their business plans.

6. Free Trade Agreements and Argentina's strategy

Argentina, as is well-known, is one of the major markets of Latin America thanks to the abundance of natural resources and its capacity to exploit them. Trade and the growth of foreign investments in the Argentinian territory, in these years, have often been limited, however, as a result of the country's considerable instability, which as often obstructed the internationalisation strategies of foreign investments and the entering into of free trade agreements with other countries. Over the decades, in fact, Argentina has often imposed barriers to import and export transactions and to capital flows, with significant repercussions on international trade and on investments.

Precisely for these reasons, although the European Union as always supported the importance of international trade as a source of employment and economic growth, encouraging the entering into of free trade agreements that can guarantee a better and easier access to foreign markets, today relations between Europe and Argentina are regulated exclusively by a *"Framework agreement on trade and economic cooperation"* entered into in 1990.

Alongside the framework agreement entered into with the European Union, in 1995 Argentina, together with Brazil, Uruguay and Paraguay officially implemented *MERCOSUR (the Southern Common Market)* through which the member countries set up a free trade area and a customs union between them. Naturally, in the face of the birth of Mercosur, the efforts and interest in reaching a commercial agreement with the European Union were focused on this new entity rather than only towards Argentina, leading to the entering into of new free trade agreements, as we will analyse in the next paragraph.

Returning to the framework agreement entered into between the EU and Argentina, it is worth underlining in this context that it is a third-generation agreement based on the respect of democratic principles and human rights, with particular attention to economic, industrial and commercial cooperation.

Right from its coming into force, the agreement provided, always with respect to reciprocal needs and interests, for the diversification of trade and the elimination of any problem that could hinder them, undertaking to afford each other the most favoured nation treatment *(procedure according to which the contracting countries undertake to apply to the products/goods originating from a third country customs and duty conditions not less favourable than those already established in trade agreements with participating countries)*. In addition, in order to guarantee a constant exchange on economic and commercial questions within the said agreement, a mixed EU-Argentina committee was set

up, which has the task of meeting periodically and monitoring the correct working of the agreement and of examining issues that could obstruct its application.

Within the agreement, moreover, an "evolutive clause" was inserted, on the basis of which the contracting parties, subject to mutual agreement, can extend the agreement to intensify cooperation and complete it with agreements relating to sectors or specific activities.

The objective of the agreement was to aim at a development of the respective industries through the opening of new markets and new forms of technical and scientific cooperation, promoting the creation of joint ventures, especially for the purpose of diversification of Argentina's exports and the acquisition of technology.

It is only in the last ten years, however, that Argentina has shown to wish to effectively put into practice the clauses in the agreement, reversing its natural protectionist tendency and little inclination towards openness towards foreign investments.

The memorandum of understanding that sets up a partnership between the EU and Argentina regarding sustainable raw material value chains fits, in fact, into this perspective. The partnership provisions allow both countries to pursue trade and investments in safe, sustainable and resilient raw material value chains, essential for carrying out the transition towards the transition towards climate-neutral and digitalised economies.

Today, therefore, it can be concluded that the European Union is positioned among Argentina's major trade partners and the trade is mainly focused on agricultural products, non-combustible chemical substances and raw materials that travel from Argentina to the EU; manufactured products, such as transport machinery and equipment and chemical products, including pharmaceutical products that are exported from the EU to Argentina.

6.1. Free Trade Agreements and Mercosur

As mentioned in the previous paragraph, in 1995, MERCOSUR (Mercado Comun del Sur) was created on the initiative of Argentina and Brazil with the objective to construct between the member countries a free trade area and a customs union that can favour the circulation of factors of production and the adoption of a common trade policy especially in the field of foreign trade, agriculture, industry, and currency and tax policies.

After years of negotiations, finally on 28 June 2019 the European Union and Mercosur reached a political agreement regarding the wish to enter into an authentic trade agreement aimed at consolidating political, commercial and strategic relations between the parties.

To date, the actual agreement has not yet been properly ratified; however, according to the pact published on July 1, 2019, the key points of the agreement between the Union and Mercosur, from a commercial point of view, should relate to the following aspects:

a) Trade of goods:

- Creation of a free trade area, with which the parties undertake to liberalise almost all imported goods for a transitionary period of 10 years.
- Elimination of customs duties on all industrial goods within 10 years, with a number of exceptions such as the automotive sector (7 years).
- Elimination of duties on most agricultural products. The remaining part of agricultural products will remain subject to quotas with rates and license mechanisms for export. For certain types of key European products (e.g., wines, olive oil and so on) measures will be adopted on a case-by-case basis.
- Elimination of trade barriers imposed by Mercosur on the export of raw materials required by European businesses.
- Prohibition, for both parties, of the use of non-automatic export or import licensing mechanisms, favouring in this way, more transparency on the internal procedures for obtaining the licenses.
- Prohibition of the use of export duties.
- Undertaking to adopt the principle of fair national treatment, parity of market conditions and prohibition of increasing duties following the agreement's coming into force.

b) The rules of origin:

They are indispensable for certifying the origin of a specific imported product and hence its eligibility for preferential conditions. As a result, rules for certifying the origin of an imported product will also be inserted into the agreement between the EU and Mercosur. Specifically, the certification of origin can be used by any exporter and can be present in any commercial document that describes the original product with sufficient detail to permit its identification. In addition, controls made on certifications may be random or activated in all cases in which the authorities, of both parties, have doubts regarding the authenticity of the documents submitted by the exporter.

c) Trade and sustainable development:

In the memorandum of understanding between the EU and Mercosur, there is the intention of both parties to insert into the agreement specific clauses that can bind both parties towards the achievement of the Sustainable Development Goals present in the United Nations 2030 Agenda, such as, for example, the right to work and the protection of the environment, and respect of the commercial, social and environmental principles inside the different member countries.

Finally, one interesting aspect is certainly the part of the agreement dedicated to dispute resolution in the fields of trade and sustainable development. Specifically, the parties intend to create a subcommittee on trade and sustainable development, formed of delegates of each party, which has the task of resolving any dispute linked to sustainable development in an "amicable" way, derogating from the general mechanism provided for all association agreements.

6.2. Argentina and its joining Brics

Brics is a group of emerging economies which, in its initial formation was composed of Brazil, Russia, India and China to which South Africa was added in 2010.

The intention underpinning the creation of the group was to join together and cooperate with the aim of arriving at a reform of international financial institutions that guarantees greater representativeness also for emerging countries. In practice until now the commercial collaboration between members has been especially in the in the fields of economics, finance, science, technology, agriculture and culture.

Recently, Argentina, together with other emerging countries, has shown potential interest in forming part of the group in consideration of the growing economic and geopolitical influence that the Brics countries are gradually obtaining in the global context.

Argentina's joining the Brics group could be an opportunity to combat the economic-financial crisis that the country has been going through for some time, together with the possibility of obtaining foreign capital intended for the construction of new infrastructures, thereby avoiding many of the rigid conditions required by the EU which today have effectively caused a slowdown in the entering into of trade agreements between the parties, as pointed out in the previous paragraph.

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