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Law 27.541, published in the evening of December 23, 2019, **declares a public emergency** in economic and financial, tax, administrative, pension, tariff, energy, health and social matters and **grants special powers to the National Executive Branch** ("PEN", as in its acronym in Spanish) **until December 31, 2020**.

Below you will find the main aspects of this new regulation:

PUBLIC DEBT

PEN is authorized to **renegotiate the national public debt with the creditors of the Argentine Republic**, and shall submit a report with the results achieved to the National Congress.

ENERGY SYSTEM

PEN is authorized to **maintain unmodified the electricity and natural gas tariffs** subject to federal jurisdiction and to **renegotiate the current Comprehensive Tariff Review** or to conduct an extraordinary review for a maximum period of up to 180 days, aiming at reducing the actual tariff burden on households and businesses by 2020.

PEN may **intervene for 1 year the ENRE and ENARGAS**, suspending the application of section 124 of the Budget Law 2019 (by virtue of which they became subject to the jurisdiction of the Province of Buenos Aires and the Autonomous City of Buenos Aires).

The ENRE would maintain its competence over the public electricity distribution service of EDENOR and EDESUR.

TAX OBLIGATIONS

Among the main tax regulations foreseen in the law, it is highlighted:

MORATORIUM REGIME: a new moratorium regime is established in relation to **certain tax, social security and customs obligations due on November 30, 2019 inclusive (even those under administrative or judicial discussion), and the remission of interest, fines and other penalties related to such obligations for MSMEs and non-profit civil entities.**

The application to this regime may be admitted up to and including April 30, 2020.

REFUNDS TO VULNERABLE SECTORS: The Federal Tax Authority ("AFIP", as its Spanish acronym) is empowered to establish a refund regime for persons who are final consumers, and a stimulus regime for small taxpayers to promote financial inclusion and formalization of the economy.

NEW EMPLOYER CONTRIBUTIONS RATES:
The Law established new rates for employer's contributions as follows:
i) 20.40% for employers belonging to the private sector whose main activity falls under the "Services" or "Commerce" sector in accordance with the provisions of Resolution No. 220/19 of the Secretariat of Entrepreneurs and Small and Medium-Sized Enterprises (PYMEs) and its amendment or the one that will replace it in the future, provided that their total annual sales exceed, in all cases, the limits for classification as a medium-size enterprise section 2, carried out by the relevant enforcement body, with the exception of those covered by Laws 23,551, 23,660 and 23,661; and;

ii) 8% for the remaining private sector employers.
Likewise, the applicable deductions per worker are modified.

TAX ADJUSTMENT FOR INFLATION: Amendments are made to the tax adjustment for inflation mechanism in the balance sheets of subjects under Title VI of the Income Tax Act.

PERSONAL ASSETS AND SCHEDULAR TAX: Amendments are made to Personal Assets Tax applicable scales with effect as of fiscal period 2019.

Likewise, it is delegated the faculty to PEN to **fix differential tax rates to assets located abroad** as well as to **reduce them for financial assets located abroad**, in case the repatriation of the product of its realization is verified.

It is included in the concept of "financial assets located abroad" the rights inherent to the beneficiary of trusts (trust or similar) of any kind constituted abroad or in private interest foundations abroad or in any other type of patrimony of similar affectation located, settled, domiciled and / or constituted abroad.

The *schedular tax* applicable to the gain from the placement of capital in securities as well as to the interest or income and discounts or issue premiums is **repealed** as of fiscal period 2020 for persons and undivided estates.

Income Tax exemption is re-established for interests arising from savings account deposits, special savings accounts, fixed-term on national currency and third-party deposits or other forms of raising funds from the public.

Interests from deposits with adjustment clauses are excluded from the scope of this exemption.

TAX FOR AN INCLUSIVE AND SOLIDARITY ARGENTINA (*IMPUESTO PARA UNA ARGENTINA INCLUSIVA Y SOLIDARIA – "PAIS"*): A tax is established for five (5) fiscal periods as of the entry into force of this law for certain exchange transactions whose rate is 30% applicable to the total amount/price net of taxes and fees, namely:

- Purchase of foreign currency for saving purposes or without a specific destination;
- Currency exchange for the payment of the acquisition of goods or the provision of services performed abroad or services provided by non-resident subjects within the country that are paid through the use of credit, purchase and debit cards;
- Cash withdrawals or advances made abroad;
- Purchases made through portals or virtual sites and / or any other modality by which operations are made, through remote purchases in foreign currency;
- Acquisition of services abroad contracted through travel agencies in the country;
- Acquisition of land, air and water transport services to destinations outside the country, to the extent that for the payment of the operation, it must be accessed to the exchange market for the acquisition of foreign exchange.

PEN is empowered to incorporate new operations to the aforementioned list.

TAX ON DEBITS AND CREDITS IN BANK ACCOUNTS AND OTHER OPERATIONS: The applicable rate of tax on debits and credits to bank accounts is doubled for certain cash withdrawals by certain legal entities.

INCOME TAX:

- For the purpose of determining the Income Tax corresponding to 2019 fiscal year, certain subjects that obtain fourth category income (section 82 subsections a) b) and c) of the Income Tax Act) will have the right to deduct from their net taxable income, an amount equivalent to the reduction of the calculation base of the withholdings applicable to them according to Decree 561/2019 (section 1, first paragraph). Such deduction will not be able to generate a tax loss.
- Regarding public securities and negotiable obligations included in subsections a) and b) of the first paragraph of Section 98 of the Income Tax Law, it may be chosen to affect the interest or income of the 2019 fiscal period to the computable cost of the security or obligation that generated it, in which case the mentioned cost must be reduced by the amount of the affected interest or income
- The reduction of the corporate rate provided for in the Income Tax Law is suspended until tax periods starting on or after January 1, 2021. In this sense, during said suspension period it will be applicable a 30% corporate rate as well as a 7% rate for the distribution of dividends or similar utilities.

STATISTICS FEE:

- Until December 31, 2020, the rate of the Statistics Fee contemplated in the Customs Code (section 762) is established at 3%, which will be applied to the final destinations of imports for consumption, with the exception of those destinations registered in the framework of Preferential Agreements signed by the Argentine Republic that specifically contemplates its exemption, or any such destinations that include good originating and part of the Member States of MERCOSUR.
- Consequently, the rate is modified (with a 0.5% increase) and the maximum limits established by Decree 332/2019 are eliminated.
- Neither temporary imports nor exports are under the scope of the Statistics Fee.
- PEN may establish exemptions on paying this Fee for justified reasons and whenever it has to do with a specific activity whose aims are, among others, related to science, technology, innovation, the promotion of economic development and the creation of new jobs.

***INTERNAL TAXES*:** It is established certain exemptions and amendments to Internal Tax rates applicable to motor vehicles and engines, recreational or sports boats and aircraft, according to their sales price.

EXPORT DUTIES

PEN is empowered to establish, pursuant to Section 755 of the ACC, the export duties whose rate in no case shall exceed thirty-three percent (33%) of the tax base value or the official FOB Price of the goods being exported. **This empowerment may be exercised by PEN until December 31, 2021**.

In addition, the Law forbids exceeding certain export duty rates depending on the exported goods, namely:

- In the case of soybeans, a 33% rate on the tax base or the official FOB price;
- A 15% rate for any such goods not subjected to export duties on September 2, 2018 or 0% taxed at that date;
- A 5% rate on agro-industrial goods of regional economies as defined by PEN; such regions shall be defined in future regulations;
- A 5% rate on the tax base or the official FOB price of industrial goods and the export of services; and
- An 8% rate on the tax base or the official FOB price of oil and mining products.

WELFARE BENEFITS AND SALARY INCREASES

It is established a 180-day suspension of benefit mobility (section 32, Law 24,241 of the Integrated Retirement and Pension System).

PEN shall set quarterly the increase of the social security assets corresponding to the Integrated System of Retirement and Pensions. Likewise, the National Executive is empowered, within 180 days, to:

- Convene a commission made up of representatives of the Ministry of the Economy, the Ministry of Labour, Employment and Social Security and members of the congressional commissions with competence in this area, to **propose a bill regarding the pension system that would guarantee an adequate share of the income of the system's beneficiaries in the nation's wealth.**
- Convene a commission made up of representatives of the Ministry of the Economy, the Ministry of Labour, Employment and Social Security and members of the congressional committees with competence in the matter, to review the economic, financial and actuarial sustainability and **propose to Congress any amendments it deems appropriate regarding the mobility or updating of special regimes (contributory or non-contributory).**
- **Make mandatory minimum wage increases to the private sector employers.**
- Temporarily exempt from the obligation to pay contributions to the Argentine Integrated Social Security System on those minimum wage increases.
- Carry out reductions of employer contributions and/or personal contributions to the Integrated Social Security System limited to specific jurisdictions and activities or in critical situations.

CORPORATIONS. CORPORATE CAPITAL

It provides for the suspension until 31 December 2020 of the application of section 94, subsection 5) and section 206 of the General Business Corporations Act. Consequently, companies that at the end of their financial year are in the following situations are not obliged to restore their equity situation at the time of holding the ordinary shareholders' meeting (at which the accounting statements evidencing any of the situations mentioned below are approved): (1) mandatory reduction of its capital as soon as its accumulated losses exceed its reserves and half of its capital; or (2) the company's liabilities are equal to or greater than its assets, which is the reason for its dissolution due to loss of capital.

UVA CREDITS

The Central Bank of the Republic of Argentina is empowered to carry out an assessment of the performance and consequences of the system of UVA loans for the acquisition of housing and the systems of savings plans for the acquisition of motor vehicles, their social and economic consequences, and to study mechanisms to mitigate their negative effects.

CENTRAL BANK. FREE AVAILABILITY RESERVES

PEN is authorized to issue bills of exchange denominated in dollars for a term of up to $4,571,000,000 at 10 years, with full amortization at maturity.

PEN is authorized to acquire foreign currency in the Central Bank with the above mentioned bills, for the same amount as the nominal amount expressed in them.

FINANCIAL ADMINISTRATION ACT

It is provided that, during the period of validity of this Law, the limits to carry out budgetary restructuring, originally established for fiscal year 2017 by Section 1 of Law 27,342 [1], modifying Section 37 of Law 24,156 on Financial Administration and Control Systems of the National Public Sector, will be re-established.

[1] Section 1 of Law 27,342 provides that decisions affecting the total amount of the budget and the amount of the planned debt are reserved for the National Congress, but it is the Chief of Staff who can arrange for the budgetary restructuring that he considers necessary within the total amount approved.

To read the regulation please clik here

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