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**SALABERREN & LÓPEZ-SANSÓN ABOGADOS
ESTABLISHING A BUSINESS ENTITY IN ARGENTINA**



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ESTABLISHING A BUSINESS ENTITY IN ARGENTINA



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adopted in Argentina are the limited liability company (“Sociedad de Responsabilidad Limitada” or “SRL”), the corporation (“Sociedad Anónima” or “SA”) and the simplified corporation (“SAS”).

Below you will find a comparative analysis of the most relevant characteristics and the basic differences between SRL, SA and SAS.

1. Types of business entities

The most common types of legal entities

CORPORATION	SIMPLIFIED CORPORATION	LIMITED LIABILITY COMPANY
<p><u>Creation:</u> An SA must be formed through a public deed, and then be registered with the Public Registry of Commerce. The name of the company must include the words “Sociedad Anónima” or the abbreviated form “S.A.”</p>	<p><u>Creation:</u> A SAS may be formed through a public deed or through a private document. The name of the company must include the words “Sociedad por Acciones Simplificada” or the abbreviated form “S.A.S.”.</p>	<p><u>Creation:</u> An SRL may be formed through a public deed or through a private document, and then it must be registered with the Public Registry of Commerce. The name of the company must include the words “Sociedad de Responsabilidad Limitada” or the abbreviated form “S.R.L.”</p>
<p><u>Capital:</u> The corporate capital is divided in shares. The SA may issue classes of shares having the right to more than one vote per share. Shares must be issued in registered form. The minimum registered capital to create an SA is AR\$ 30,000,000 (approx. US\$23,077). Subscribers must pay at least 25 % of the subscribed capital amount at the time of the creation of the SA. If the SA has only one shareholder, the capital must be paid 100% at</p>	<p><u>Capital:</u> The corporate capital is divided in shares. The SAS may issue classes of shares having the right to more than one vote per share. Shares must be issued in registered form. The capital cannot be less than an amount equivalent to two (2) times the minimum wage (this currently amounts to approx. U\$S 489). Subscribers must pay at least 25 % of the subscribed capital amount at the time of the creation of the SAS if it is in cash, if it is in kind the 100 % must be paid at the time of incorporation.</p>	<p><u>Capital:</u> The corporate capital is divided in quotas. All quotas must have the same face value and voting rights. Quotaholders may own more than one quota. There is no minimum registered capital required to form an SRL, and the Registry has discretion to determine whether the proposed capital is adequate on a case-by-case basis. Subscribers must pay at least 25 % of the subscribed capital amount at the time of the creation</p>



the time of incorporation.at the time of incorporation.		of the SRL.
<u>Shareholders:</u> The SA may have one (1) or more shareholders. Shareholders may be individuals or companies, whether local or foreign. Should the company have two or more shareholders, the Public Registry of Commerce requires that the minority shareholder hold at least 2% of the corporate capital.	<u>Shareholders:</u> The SAS may have one (1) or more shareholders. Shareholders may be individuals or companies, whether local or foreign.	<u>Quotaholders:</u> The SRL requires at least two quotaholders with a maximum of fifty. Quotaholders may be individuals or companies, whether local or foreign. Should the company have two or more quotaholders, the Public Registry of Commerce requires that the minority shareholder hold at least 2 % of the corporate capital.
<u>Participation in other companies:</u> An SA can only be part of another SA (corporation) or SRL. A single-shareholder SA cannot be a shareholder of other single-shareholder companies.	<u>Participation in other companies:</u> A single-shareholder SAS cannot be a shareholder of other single-shareholder companies.	<u>Participation in other companies:</u> SRL are not subject to limitations regarding participation in other companies.
<u>Board of Directors:</u> The administration of the SA is performed by a Board of Directors, with at least one member. Directors must be individuals and not legal persons. The directors do not need to be shareholders. Directors must procure a tax ID in Argentina. The majority of the directors must have their domicile in Argentina (please note that the requirement is residence and not nationality). Directors may hold office for a maximum period of three consecutive terms. However, their appointment is renewable without limitations. The board must meet at least once every three months. The representation of the SA is carried out by the Chairman of the Board of Directors. Directors have to obtain assurance while they are members of the Board. For alternate directors it is optional, until they occupy a	<u>Board:</u> The board may have one or more members, of whom at least one should be an Argentine resident. Directors must be individuals and not legal persons. Board members who are not Argentine residents should obtain a foreigner tax ID (CDI) and appoint a representative in Argentina, the special power of attorney for the appointment of the representative in Argentina has to be presented before the Public Registry of Commerce. One of the board members must act as legal representative of the SAS. Directors may hold office for a determinate or indeterminate period. Directors have to obtain assurance while they are members of the Board. For alternate directors it is optional, until they occupy a position in the board.	<u>Managers:</u> The administration of the SRL is performed by one or more managers. The managers may act individually or as a corporate body similar to a board of directors. Managers must be individuals and not legal persons. The managers do not need to be quotaholders. Managers must procure a tax ID in Argentina. The majority of the managers must have their domicile in Argentina (please note that the requirement is residence and not nationality). Managers may hold office without term limitations. Directors have to obtain assurance while they are members of the Board. For alternate directors it is optional, until they occupy a position in the board.



position in the board.		
<u>Directors Liability:</u> Directors are jointly and severally liable vis-à-vis the company, shareholders and third parties for the poor performance of their duties, as well as for non-compliance with the law, bylaws or regulations and for any damages caused by fraud, abuse of their faculties or serious fault. They must fulfill their obligations in a loyal way and as a "good businessman". There are some exceptions to the rules described above.	<u>Directors Liability:</u> The directors are individually or jointly and severally liable, depending on the organization of the management and the regulation of its operation established in the contract. If a plurality of directors participated in the same events generating responsibility, the court may determine their liability pursuant to their personal involvement in the events. Provisions relating to the responsibility of directors of an SA are applicable when management is organized as a board.	<u>Managers Liability:</u> The managers are individually or jointly and severally liable, depending on the organization of the management and the regulation of its operation established in the contract. If a plurality of managers participated in the same events generating responsibility, the court may determine their liability pursuant to their personal involvement in the events. Provisions relating to the responsibility of directors of an SA are applicable when management is organized as a board.
<u>Shareholders' Meeting:</u> Annually, the Shareholders' Meeting considers the financial statements, and if profit has been obtained it can approve the distribution of a dividend to the shareholders.	<u>Shareholders' Meeting:</u> Annually, the Shareholders' Meeting considers the financial statements, and if profit has been obtained it can approve the distribution of a dividend to the shareholders. Resolutions may be adopted through written consents.	<u>Quotaholders' Meeting:</u> Annually, the Quotaholders' Meeting considers the financial statements, and if profit has been obtained it can approve the distribution of a dividend to the quotaholders
<u>Corporate Records:</u> An SA must have at least four corporate books, as follows: Shareholders' Meetings Minutes, Board Meetings Minutes, Shareholders Registry and Attendance to Shareholders' Meeting Registry plus accounting records.	<u>Digital Records:</u> The SAS must keep the following electronic records: Minutes Book, Shareholder's Registry and accounting records.	<u>Corporate Records:</u> An SRL may have only one corporate book for Quotaholders' and Managers' Meetings Minutes plus accounting records.
<u>Syndic/Syndic's Committee:</u> Syndics act as internal auditors of an SA, verifying that it complies with applicable law. All syndics must be lawyers or accountants. The appointment of one or more syndics is optional, unless the SA (i) has a corporate capital in excess of AR\$ 2,000,000,000 (approx. USD 1,538,462), (ii) has only one shareholder, (iii) is a public company, (iv) is owned by the government (51 % or more of shares), (v) is engaged in financial	<u>Syndic/Syndic's Committee:</u> The appointment of one or more syndics is optional, unless the SAS (i) has a corporate capital in excess of AR\$ 2,000,000,000 (approx. USD 1,538,462), (ii) has only one shareholder, (iii) is a public company, (iv) is owned by the government (51 % or more of shares), (v) is engaged in financial or savings activities, (vi) is a public utilities company, or (viii) controls or is controlled by a company included in items (i) through (vi) above.	<u>Syndic/Syndic's Committee:</u> Only an SRL with a corporate capital in excess of AR\$ 2,000,000,000 (approx. USD 1,538,462) must appoint a syndic.



or savings activities, (vi) is a public utilities company, or (viii) controls or is controlled by a company included in items (i) through (vi) above.		
<u>Transfer of Shares:</u> Shares may be transferred without limitations, and any transfer is registered in the Shareholders Registry.	<u>Transfer of Shares:</u> Shares may be transferred without limitations, and any transfer is registered in the Shareholders Registry, along with the stock purchase agreement.	<u>Transfer of Quotas:</u> Quotas may be transferred without limitations. However, the transfer must be registered with the Public Registry of Commerce to be enforceable against third parties.
<u>Shareholders' liability:</u> Shareholders are granted limited liability for the liabilities in which the SA may incur. Only in certain cases of bankruptcy or of fraud (in particular, in the fields of labor and tax law) the shareholders may be held liable for the SA's obligations.	<u>Shareholders' liability:</u> Shareholders are granted limited liability for the liabilities in which the SAS may incur. Only in certain cases of bankruptcy or of fraud (in particular, in the fields of labor and tax law) the shareholders may be held liable for the SAS' obligations	<u>Quotaholders' liability:</u> Quotaholders are granted limited liability for the liabilities in which the SRL may incur. Only in certain cases of bankruptcy or of fraud (in particular, in the fields of labor and tax law) the quotaholders may be held liable for the SRL's obligations.
<u>Corporate Obligations:</u> Annually, the SA must file its financial statements with the Public Registry of Commerce, as well as a service fee to the Public Registry of Commerce (which is not significant).	<u>Corporate Obligations:</u> Annually, the SAS must file its digital financial statements with the Public Registry of Commerce.	<u>Corporate Obligations:</u> Only SRL, with a corporate capital in excess of AR\$ 2,000,000,000 (approx. USD 1,538,462), must file its financial statements with the Public Registry of Commerce.

2. Other relevant corporate matters

- Shareholders: Any foreign person (individuals or legal entities) can be a shareholder of a company organized in Argentina. In order to participate in local companies in Argentina, foreign companies must register before the local Public Registry of Commerce, which involves the filing of hard copies of organizational documents of the foreign company and the appointment of a representative in Argentina. Both individual and legal entities must obtain a foreigner Tax ID before local Tax Authorities.
- Directors: Depending on the type of entity, one or more of the board members must be Argentine residents. Non-Argentine board members will need to obtain a local Tax ID before local Tax Authorities and pay social security taxes in connection with their position as directors.
- Permits: Depending on the company's purpose and industry in which company's activities are carried out, certain permits might be necessary to operate.

3. Outline of Argentine Tax Regulations (notwithstanding the application of Double Tax Treaties)

Please find below a general description of the main taxes applicable to the entities described above in Argentina. This should be analysed on each specific case as exceptions or special regimes may apply.

A. FEDERAL TAXES:

- Corporate Income Tax (CIT)¹: Resident entities are subject to CIT on a worldwide basis. The income tax law has a progressive tax rate, according to the following criteria (for fiscal year 2024):
 - a) if the net income of the company does not exceed ARS 101,679,575.26 (approx. USD 78,215) in the fiscal year, a 25% tax rate applies;
 - b) if the net income exceeds ARS 101,679,575.26 (approx. USD 78,215) but is less than ARS 1,016,795,752.62 (approx. USD 782,151), a fixed amount of ARS 25,419,893.82 (approx. USD 19,554) must be paid, plus a tax rate of 30% over the income exceeding ARS 101,679,575.26 (approx. USD 78,215); and
 - c) if the net income exceeds ARS 1,016,795,752.62 (approx. USD 782,151) a fixed amount of ARS 299,954,747,02 (approx. USD 230,734) must be paid plus a tax rate of 35% over the income exceeding 1.016.795.752,62 (approx. USD 782,151).

Losses may be carried forward for a period of 5 years.

- Withholding tax in dividends: A withholding tax of 7% applies to the payment of dividends to resident individuals and to non-resident individuals or legal entities.
- Value Added Tax: the general VAT rate for Argentine local transactions is 21 %. For certain goods or services could be 10.5%. There are also exemptions that may apply. For example, exports are levied at a 0% VAT and exporters can be reimbursed for

¹ USD/ARS exchange rate: 1USD = 1300 ARS



the local VAT paid related to its exportation.

- **Bank credits and debits tax:** credits and debits on local bank accounts are subject to a 0.6 % tax rate on the debits and a 0.6 % tax rate on the credits. In general, depending on the kind of activity of the local entity certain exceptions, or reduced tax taxes, may apply. There is an additional 1.2% tax rate for cash withdrawals, except for SMEs (Small and Medium Size entities). In general, this tax generates a tax credit of 33% that can be used to offset income tax or its instalments.
- **Customs duties:** Import/export of “goods” are taxed at different customs rates according to each tariff position (identification for customs purposes).
- **Social security taxes (SST):**

Employers Contribution for SST: The social security tax rate for employers which activities are related to commerce or services and who are not a SMEs² is 20,40% and for the rest of employers the tax rate is 18,00%. The health care tax rate is 6%. So, it is 26,4% for the first case and 24% for the second one and it applies on the gross salary.

Employee Payment for SST: Please note that the local company shall withhold the relevant social security taxes from the employee’s salaries which represent approximately 17% of the gross salary, health care included. Also, the company shall withhold the income tax from the employee’s salaries if applicable.

B. TAXES ON SHAREHOLDERS:

- **Capital gains tax (Direct or Indirect Sale):** In broad terms, direct or indirect sale is taxable at a 15 % on the net gain (sale price minus acquisition cost) or 13.5% of the total sale price (gross price of the operation). There are some requisites to comply with for the indirect capital gains to be taxed. If there is a seller located abroad and in a non-cooperative jurisdiction the tax rate will be higher (35% net gain or 31,5% gross price of the sale).
- **Wealth tax on shares:** A 0.50 % tax rate on the book value of the equity held in the local company. The local company pays this tax on behalf of the shareholders.
- **Transfer Pricing Rules:** Transfer pricing rules in Argentina follow the OECD Model, based on the principle that transactions between an Argentine company and related companies based outside of Argentina (or with companies located in non-co-operative, low- or no-tax jurisdictions) must be done in arm's length conditions. Argentina’s rules include the five methods from the OECD model, but in addition to the five OECD methods, Argentina has an additional rule, called the 'sixth method', which in general applies to the import and export of commodities made through an international related intermediary or an intermediary located in a non-co-operative jurisdiction or low-tax jurisdiction.
- **Thin Capitalization Rules:** In line with international standards (OECD guidelines), interest on financial debts (excluding, as a consequence, debts generated by acquisitions of goods, leases and services related to the company's business) owed to related parties (Argentine residents or not) will be deductible subject to certain quantitative limitations. The deductibility

² SME: small and medium-sized enterprises.



limitation on interests does not apply to financial entities, certain financial trusts, or when a WTX (withholding tax) applies in relation to the interest paid, among others.

- Argentina's CFC (Controlled Foreign Company) rules require local residents to recognize income on an accrual basis under specific conditions. This applies when a resident taxpayer:

- Holds any participation in a foreign entity located in a jurisdiction with a corporate tax system, but where the entity itself pays no local corporate income tax.
- Holds a direct or indirect participation of 50% or more in a foreign entity that derives a certain proportion of its income from passive sources.
- Exercises control over a foreign trust or foundation.
- Affected taxpayers must analyze their specific situation case-by-case to determine if these rules trigger immediate Argentine tax liability on the foreign entity's or trust's income.

- Tax Havens and non-cooperative jurisdictions: The Income Tax Law includes different tax effects when a jurisdiction qualifies as tax haven or non-cooperative. Such effects should be analyzed on a case by case basis, but in general the qualification of a jurisdiction for those concepts are as follows: 1- countries, territories or tax regimes that establish a corporate income tax rate that is lower than 15% will be considered low or no tax jurisdictions 2- jurisdictions that do not

have a tax Information Exchange Agreement or a Double Taxation Treaty with broad clauses of Information Exchange in force will be considered non-cooperative jurisdictions. The Income Tax Implementing Decree includes a list of "non-cooperative jurisdictions" that can be review on the official website: <https://www.afip.gob.ar/jurisdiccionesCooperantes/no-cooperantes/periodos.asp>

C. LOCAL TAXES:

- Turnover tax: A 3 % average tax rate on gross income. Such rate may be increased to 5 % in accordance with the company's annual gross income. Note that such tax rate may also vary depending on the activity developed. Exemptions may apply. This provincial tax is deductible for income tax purposes (federal level).
- Stamp tax: A 1 % tax rate over the value of contracts. This tax may not apply if the instrumentation of the document is made by offer/acceptance letters.
- Argentine municipalities impose local business taxes ("tasa de comercio") based on gross revenue: Rates vary by jurisdiction but commonly range from 0.5% to 1% of a company's gross income.

4. Outline of Labor Regulations.

Argentina has a labor law framework historically characterized by strong protection of employees, including extensive regulation of employment relationships, minimum working conditions, and termination procedures. This employee-leaning approach is rooted in public policy principles and has remained largely consistent over time, although recent legislative changes aim to modernize and introduce some flexibility into the system.



Employment agreements are generally deemed to be for an indefinite term unless explicitly agreed otherwise and permitted by law. While written contracts are not mandatory for indefinite-term employment, certain conditions (such as wages, start date, and job category) must be registered with the tax and social security authorities. Failure to properly register an employment relationship may lead to presumptions of labor fraud, triggering significant penalties and sanctions for the employer.

Salaries must be paid in legal tender and through traceable means, typically via bank transfer to the employee's salary account. Employers are also required to make mandatory social security contributions and withhold income tax on behalf of the employee, in line with the statutory framework.

Termination of employment without cause entitles the employee to severance compensation, generally calculated as one monthly salary per year of service (or fraction thereof exceeding three months), plus additional compensation in lieu of prior notice if not given. Recent reforms have reaffirmed and, in some cases, clarified these rules, while also seeking to reduce litigation by promoting alternative dispute resolution mechanisms and facilitating employer compliance through digital tools and simplified registries.

In addition, employers must observe mandatory provisions arising from collective bargaining agreements (CBAs), which apply by industry and region. These CBAs typically regulate working hours, salary scales, leave entitlements, and other benefits, and are enforceable as part of the employment relationship.

Overall, while the Argentine labor regime continues to prioritize employee protection, recent developments reflect a gradual shift

toward promoting formal employment, legal certainty, and administrative efficiency.