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→ Argentina

→ Firm Profile

Silva Ortiz, Alfonso, Pavic & Louge ("SOAPL") is a law firm with more than 100 well trained lawyers who provide its clients with reliable and professional solutions. Most of our clients are among Fortune 500 and Global 500. We also represent individuals, state owned companies and nonprofit organizations.

Our business approach, together with our professionals' commitment allows us to design in each case creative solutions for our clients' needs, looking for the construction of sound and solid relationships. Our professionals are always oriented to obtained real results previously agreed with the client. The diversity of our services and our business approach contribute to a more complete understanding of the problems we deal with.

Silva Ortiz, Alfonso, Pavic & Louge has experience in working in coordination with other firms or organizations and in providing our services for complex matters. In addition, the firm litigation practice is based on broad substantive expertise in all kinds and a great deal of litigation and a large number of proceedings. We offer our services within the whole Argentine country through wholly owned offices or correspondent offices.

Silva Ortiz, Alfonso, Pavic & Louge in a few words:

- More than 140 professionals and employees
- More than 30 associated firms within Argentina and abroad
- Ranked locally among the most important law firms in Argentina (Revista Apertura as of 2008)
- Several lawyers ranked locally among the most prestigious professionals in Argentina (Revista apertura, as of 2006)

Corporate Law

The members of the firm have participated in a variety of complex merger and acquisition transactions, spin offs and structuring of corporate and trust agreements, especially in the insurance, financing services and agriculture businesses. Our important value is our expertise in the coordination among the several participants and advisors involved in the transaction.

Banking and finance – Capital Markets

The members of the firm devoted to this area of practice have acquired their experience in Banks and companies related to the financing sector. The firm has the advantage of knowing deeply the day to day client's needs in a highly regulated market. They have also rendered advise in the granting and obtaining of loans, issuance of securities, public offerings, etc.

Business Structuring

The holistic company advisory service is a concept integrated to all our services in every area. Our counseling service aims at finding the best solution. Therefore, we make a detailed analysis and inform, in every case, all the potential legal consequences of our decisions. We advise our clients in the foundation of new company structures and in dealing with diverse transactions, helping the strategic decision-making as well as the solution of less complex problems.

Insolvency and Restructuring

The members of the firm have represented creditors, bond holders and issuers, in out-of-court restructurings, out-of-court preventive settlements and in debt swap agreements. They have negotiated corporate debt, including advise in court and out-of-court restructuring proceedings.

Litigation and arbitration

The firm has high expertise in representing our clients before federal and local courts (including the Supreme Court) in civil, commercial, tax and labor litigation as well as conducting arbitration procedures on behalf of our clients.

Administrative Law

Our Administrative Law Department represents our clients and their relationship with the audit agencies (SSN, SRT, SAFJP and others), and provides professional services in Administrative Agreements (Biddings), Concessions, Public Construction Works, Administrative Easement, Expropriations, Issues of State Domain and others in connection with this field.

Insurance and Reinsurance

The firm has a solid experience in general liability insurances, out of court claims, settlement proceedings and litigation, professional liability insurances, advice on writing of "occurrence general liability policies", "claims made" or "mixed" of any kind, hail and agricultural multirisk, special exclusion clauses and adjustments, reinsurances, negotiation of cut off agreements, representation of the reinsurer and dispute resolution with the assignors. Our specialty has been developed to the service of retirement and pension funds administrators and retirement insurance companies.

In addition the firm is a proven leader in services related to the labor risks system. Members of the firm have had a significant participation in the market since the very first years of the current legislation and since then, our firm has been among the leaders in legal services rendered to Labor Risk Insurers.

Shipping

We deal with the full range of legal issues affecting those involved in the shipping industry, advising on – among other things - charterparties, shipbuilding, insurance and cargo claims. Our high expertise in insurance and litigation offers a complete maritime legal service to insurers, P&I Clubs, owners, charterers and cargo clients. We have a sound understanding of how the market works, both from the perspective of underwriters and clubs and that of their clients and members.

Labor Law and Immigration

Our advisory services in Labor Law are focused on legal representation of employers as well as on counseling regarding any potential conflicts between employee-employer. We provide alternative mechanisms of labor conflict solutions out of court.

This kind of proceeding also includes analysis and negotiations of collective agreements. Our firm regularly represents its clients before the National Ministry of Labor, National and Provincial Administrative Authorities, as well as Labor Courts all across the country.

Social Security

This area of the firm advises both corporate clients as well as individual clients. The main purpose is to help them to construct their pension history, obtain pension benefits, retire benefits, early or compulsory retirement, etc.

Health

Our firm has worked with a variety of actors of the health market and is a recognized leader in providing services to private operators of Social Security sector. Among others we provide services to medical service providers, medical centers, professional associations and other medical professionals. Our services comprise advising on the current legislation in force, as well as representing our clients before audit entities and other authorities. We also offer legal representation in litigations all across the country.

Consumer Protection

The firm provides assistance in this area of practice from the corporate perspective, both in the evaluation and prevention of potential claims, as well as in the defense of our clients' interests in administrative and judicial procedures. This department renders advice in matters also related to Fair Marketing Regulations and Advertising Marketing. Therefore, we let our clients take the necessary preventive steps in marketing and development policies involving services and products addressed to consumers.

Tax Law

Our professionals have represented companies and individual clients in complex tax issues. In addition to this, they have advised thoroughly in tax issues related to foreign investments in Argentina, debt restructuring and M&A operations. The firm provides counseling in matters related to the enforcement of national and provincial taxes, and represents clients before fiscal authorities of each jurisdiction.

Telecommunications - Media

The members of the firm have expertise in advising local and foreign telecommunication companies. Our expertise includes regulatory issues and day to day business.

Intellectual Property

The firm provides all services related to advice, registration and follows up regarding trademarks, invention patents, trade names, use patterns and industrial designs, strategies on registration, searches, and products classification in Argentina and in the United States of America.

We give advice on trade contracts, technology transfer, licenses, franchises and usage.
Besides, the firm carries out legal matters and disputes resulting from issues related to infringements as regards intellectual and industrial property as well as resolution of conflicts and protection of rights and against piracy.

Debt Collection

The firm has specialized in collection and debt follow-up by means of optimizing the service in what concerns to costs and efficiency. Our professional services aimed at recovering our customers' assets include the management of debts with or without warrant as well as the tax repetition and the collection of debts in general.

Pro Bono

Access to courts for those who lack necessary means but are damaged in their essentials rights has become relevant in our days. The members of the firm consider that, as law professionals and members of a community its time that they return to the society what they have received from it. Our profession implies an ethic obligation to help those in need. Therefore the firm works for such purpose and collaborates with a number of foundations and non profit organizations.

→ Corporate Law

Commercial Companies and Branches

There are basically three kinds of legal entities by means of which commercial activities may be carried out in Argentina: the corporation, the limited liability company and the branch of a foreign company. There are other kinds of entities created by statutory law, but with little practical use. The applicable rules are comprised in the Argentine Commercial Companies Act 19,550 ("ACCA"), which is applied nationwide. State law complements and sets forth rules for registration and other requirements. In Buenos Aires, state rules are enacted by the Inspección General de Justicia or "IGJ" (Superintendency of Corporations). In addition, public companies are subject to regulations issued by the Comisión Nacional de Valores or "CNV", the local securities exchange commission.

Corporation ("S.A.")

The corporation is the most commonly used legal entity in Argentina. It is used for the development of all kinds of activities and businesses. Its main characteristics are the following:

SHAREHOLDERS: at least two shareholders are required. The ACCA does not establish minimum or maximum equity percentages that a person is allowed to own in a local company or corporation. However, the current IGJ's criteria is that a sole shareholder cannot own more than 98% of the equity, unless certain conditions occur (e.g. the minority shareholder does not exercise preemptive rights vis à vis an increase in stock capital)1. Shareholders can be domestic

or foreign companies, or individuals. There are no nationality or residence requirements. Shareholders' liability is limited to the full payment of their capital contributions.

SHARES: the stock capital is divided into shares. Shares must be nominative, non-endorsable and may or may not be represented by certificates. The issuance and ownership of certificated and non certificated shares stems from records in the company's shares registry book, or from the records of a third party commissioned for that purpose.

CAPITAL: a minimum stock capital of at least AR$ 12,000 is required. However, as per the enactment of Decree Nbr 1331/2012 on August 7th, 2012, for the incorporation of new corporations as of October 6th, 2012 a minimum capital of AR$ 100,000 will be requested. Resolution 7/2005 of IGJ provides that the stock capital must be appropriate for the development of the corporate purpose. Therefore, the IGJ may require that companies attain higher stock capital. At least 25% of the capital must be paid in at the time of incorporation, and the remaining amount within the next two years. When the consideration for the stock is other than cash, subscriptions must be paid-in in full.

SHAREHOLDERS MEETINGS: Unless shareholders meetings are unanimously held, which means that 100% of the capital stock is present at the meeting and all resolutions are voted affirmatively, meetings shall be summoned by means of publications in the Official Gazette, and in specific cases, in a nationwide newspaper. Twenty days prior to the date the shareholders' meeting is scheduled to be held, the board shall submit to the shareholders, at the corporate domicile or by electronic means, all relevant information regarding the shareholders' meeting, the documents to be discussed and the proposals of the board. Shareholders' meetings may be ordinary or extraordinary. Shareholders may authorize another person who is not a director, employee or syndic of the relevant company to act on their behalf as a proxy at the meetings.

BOARD OF DIRECTORS: the board is in charge of the management of the corporation. There is no requirement of a minimum number of members. Thus, the board may be comprised of only one director, with the exception of certain corporations (i.e. section 299 companies, for instance those which capital exceeds AR$ 10M, publicly held companies or public utilities). Boards of Section 299 companies must be comprised of at least three members. There are no nationality requirements for being appointed as director, nor it is required that directors be shareholders. However, the absolute majority of directors appointed must reside in Argentina. The Board must appoint a president, who has the use of the signature and company seal. The quorum for board's meetings is the absolute majority of members, and resolutions are made as provided in the by-laws. With regard to public companies, the members of the Board of directors have additional duties, which may be classified in the following categories: (i) public offering duties (must inform the CNV and self regulated entities of: a) any fact or situation which, because of its importance, is capable of substantially affecting the underwriting of negotiable obligations or the course of the negotiation thereof; and b) holdings of shares, debt securities and debt certificates); (ii) duties to inform and to maintain secrecy (certain persons who are identified

under certain CNV resolutions, as having information regarding a fact which has not been publicly disclosed and that, because of its importance, may be capable of affecting the price of a company's securities, keep strict secrecy and refrain from negotiating the same until the information becomes public); and (iii) duties of loyalty and diligence (1. make the corporate interest of the company and common interests of all its partners prevail over any other interest; 2. refrain from procuring any personal benefit on behalf of the listed company; 3. organize and implement preventive systems for the protection of corporate interests; 4. procure adequate means to carry out the activities of the company and exercise internal control such as may be necessary to guarantee a prudent management, and prevent non-compliance of duties imposed by the CNV and self regulated entities; 5. act with the diligence of a "good business man" in the preparation and disclosure of information obtained in the market).

AUDITING COMMITTEE: On May 22, 2001, Decree 677/01 was enacted, captioned "Regulation for Transparency of Public Offering" (the "Decree"). One of the main purposes of the Decree has been to include provisions related to market transparency and the protection of investors in public companies. In this sense, the Decree provides for the mandatory creation of an Auditing Committee in the case of those companies making public offering of their shares. The Committee is to be formed by three members of the Board. The majority of the members shall be independent. In order to be qualified as independent, the director must bear this condition both with respect to the company and the controlling shareholders and shall not carry out executive activities within the company.

SYNDIC: the syndic is an officer of the corporation entrusted with the task of supervising that the corporation's acts are in accordance with the law and the by-laws. He/she is required to be an attorney or accountant. Appointment of the syndic is not mandatory, except for certain corporations (i.e. those whose stock capital exceeds AR$ 10M, are publicly held or public utilities). If syndics are not appointed, it is mandatory to appoint alternate directors. When the company is included in the cases described under Section 299 of the ACCA (with the exception of cases included in Subsection 2, whose stock capital exceeds AR$10M) it must have a surveillance committee.

Limited Liability Company ("S.R.L.")

The SRL is the second most commonly used legal structure after the corporation. Its principal characteristics are:

QUOTA HOLDERS: there must be a minimum of two and a maximum of 50 (also, a single quota holder cannot own more than 98% of the stock capital). No nationality or residency requirements apply. Their liability is limited to the full payment of the equity subscribed.

STOCK CAPITAL IS REPRESENTED BY "QUOTAS". There is no minimum capital requirement, as opposed to the corporation. However, the stock capital must be appropriate for the

development of the company's purpose. The stock capital must be subscribed in full and 25% shall be paid in at the moment of the incorporation. The balance must be paid within two years. If the quotas are paid by means of contributions of property other than cash, then all the quotas must be paid in full, at the time of incorporation.

MANAGEMENT: the management of the SRL may be performed by one or more managers, acting individually or jointly as set forth in the articles of incorporation. There is no nationality requirement. In case the managers act jointly, or in case there is only one manager appointed, then the absolute majority of all managers must reside in Argentina.

SYNDIC: the appointment of a syndic is not mandatory unless the SRL's stock capital reaches certain minimum figure – currently AR$ 10M.

QUOTA HOLDERS' MEETINGS: resolutions are adopted as set forth in the by-laws. For amendments to the by-laws, if a sole partner represents the majority vote, it is required that an additional partner affirm the vote.

Participation in the capital stock of a corporation or SRL: registration as a foreign company

According to ACCA, any foreign company intending to conduct regular business in Argentina shall have two options, depending on its purpose: to set up a branch, agency or representative office, as set forth in section 118 of the ACCA; or to participate in the share capital of an existing company or a company to be established in Argentina pursuant to the provisions of section 123 of the ACCA. The difference between the types of businesses is mainly the kind of legal relationship with the foreign company and the applicable civil liability regime.

Foreign companies interested in either incorporating local companies or owning equity in local companies must, in accordance with Section 123 of the ACCA, be registered with the Public Registry of Commerce ("PRC").

In accordance with Resolution 7/2005 of the IGJ, foreign companies shall also: (a) inform whether or not the company is subject to prohibitions or legal restrictions to conduct the activities related to its corporate purpose in its place of incorporation; and (b) show that the foreign company meets any of the following conditions: (i) owns one or more agencies, branches or permanent representations outside Argentina (ii) owns equity in companies located abroad if the investment qualifies as non-current asset; or (iii) owns fixed assets in its country of incorporation or outside Argentina.

Additionally, Resolution 7/2005 of the IGJ requires that foreign companies keep the registration current by filing documents showing that they own assets outside of Argentina and report on the identity of their shareholders.

In case a foreign company, which has already been registered or will be registered with the Public Registry of Commerce, is incorporated for the sole purpose of being a vehicle for investing in other companies, and consequently cannot comply with General Resolution IGJ 7/2005, compliance can be achieved if its controlling company complies with the aforementioned resolution and files certain documentation with the IGJ.

Pursuant to the provisions of General Resolution 12/05 of the IGJ, foreign companies which have economically significant and internationally known business carried out abroad may be exempted from filing the documentation set forth in Resolution 7/2005 if, in place thereof, such companies at any time file information that provides evidence of such status and complies with this requirement.

Branch

Foreign companies may use a branch to perform businesses or activities in Argentina. The branch is a mere administrative decentralized office of the headquarters with no legal independence, which means it is not a different legal entity. Even when it has certain autonomy, in principle, and may even have capital for the development2 and management of its businesses, the assets of the branch belong to the headquarters. This implies that the headquarters must answer directly for the obligations and commitments assumed by the branch, though initially the creditors may execute the capital stock assigned to the branch by the foreign company. Only a legal representative duly authorized to operate the branch must be appointed.

From a tax viewpoint, however, branches must keep separate accounting registries from their parent companies, and file annual financial statements with the Public Registry of Commerce.

Branches must also comply with Resolution IGJ 7/2005 or, if applicable, with the information regime regarding investment vehicles. Consequently, the same documentation must be filed with the IGJ by the time of its registration and on an annual basis.

From a tax perspective there is no difference between branches of foreign companies or Argentine corporations. Argentine corporations and Argentine branches of foreign companies are subject to income tax at a 35 per cent rate applicable on the net income derived on the fiscal year. Costs and expenses are tax-deductible in order to determine the net taxable income.

→ Tax Law

here are three levels to the Argentinean tax system: federal, provincial and municipal. The National Constitution sets forth the taxation powers of the federal and local governments, as well as the general tax principles and limitations. The main taxes are the following.

A. FEDERAL TAXES

Income Tax

This tax is levied on the worldwide income of Argentinean residents (individuals or legal entities), and permanent establishments in Argentina of foreign companies. Non-residents are taxed only on income from Argentinean sources. An entity is deemed to be a resident in Argentina for tax purposes, and thus subject to tax on its worldwide income, if it is incorporated in Argentina. Foreign individuals are considered residents and therefore subject to tax on their worldwide income if they stay in Argentina with a permanent visa –for immigration purposes- or with a temporary visa for at least 12 months. However, foreigners who stay in Argentina for work for less than five years are not considered residents and thus only subject to tax on Argentinean source income.

Individuals' taxable earnings include only their eligible gains and recurring income, which is income which may be derived on a periodic basis and which implies the permanence of the source producing it. Conversely, taxable income of companies and permanent establishments includes any nonexempt income or gains.

Residents have the right to credit taxes of a similar nature paid abroad against their income tax liability, to a maximum amount equal to the tax liability arising from such foreign-source income.

Losses may be carried forward for a five-year period and a basket limitation applies to foreign source losses and losses arising from the disposal of shares and other interests. The progressive rates applicable to individuals range from 9% to 35%. The highest rate applies to taxable income in excess of AR$ 120,000. Companies and permanent establishments of Argentinean nonresidents are subject to a flat 35% income tax rate.

For individuals, the fiscal year matches the calendar year. The fiscal period for resident entities is the commercial period established in its by-laws.

Argentina adopts the arm's length principle applicable to transactions between related parties and has developed detailed rules on transfer pricing, which require the making of a transfer pricing report, the submission of transfer pricing tax returns and the maintenance of the documentation thereof.

Payment of Argentinean-source income of non-residents is subject to a final withholding tax at the following effective tax rates: (i) Interest on inter-company loans: 35% effective tax rate. The rate is reduced to 15.05% in cases where the lender is a financial entity –other than an offshore one– in a jurisdiction not deemed to be a low-tax jurisdiction; or when the jurisdiction has concluded an information exchange agreement with Argentina and, according to its internal rules, no banking, capital markets or other secrecy systems apply; (ii) Royalties, Patents,

trademarks and know-how: 28% in general (other 35%); (iii) Copyrights: 12.25% under certain conditions. If those conditions are not met, the rate is 31.5%; (iv) Motion pictures: 17.5%; (v) Technical assistance: 21%, 28% and 35% effective tax rates; (vi) Capital gains on movable or immovable property: generally 17.5% effective tax rate; (vii) Rents of immovable property: 21% effective tax rate; and (viii) Rents of movable property: 14% effective tax rate.

In connection with shareholders' income, as a rule, dividends paid out of profits subject to income tax are not subject to any further tax. An equalization tax is applicable at a 35% rate on dividends paid either to residents or non-residents when the dividends that are payable in cash or in kind exceed taxable profits accumulated at the end of the tax period preceding the distribution.

Capital gains on shares of nonresidents are tax-exempt. If the shareholder is a local entity (i.e. investment by means of an Argentinean holding company), it is subject to income tax at the regular 35% rate on capital gains derived from the disposal of shares in other companies.

Double Taxation Conventions

The following countries have entered into comprehensive double taxation treaties with Argentina which are currently in force: Australia, Belgium, Bolivia, Brazil, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

On June 29th, 2012, the Government of Argentina has denounced the double taxation treaties in effect as of such date with Chile and Spain. The treaty executed with Spain in 1992, will cease to have effects with respect to taxes on the source, on the amounts paid to non residents, as of January 1st, 2012. For the other taxes, as of the fiscal years beginning after January 1st, 2013.

The treaty executed with Chile in 1976, as amended on 2003, shall have no effect: for individuals, in relation to the gains, income or benefits obtained, and networth owned, as of January 1, 2013; and for companies, with respect to the gains, income or benefits, and networth owned corresponding to the fiscal years began alter June 29th, 2012. Argentina has also signed several treaties for the avoidance of double taxation with respect to income arising from international shipping and/or air transportation.

Minimum Deemed Income Tax

At the end of each tax period, this tax is levied on the value of assets located in Argentina and abroad belonging to companies domiciled in Argentina or abroad, which are held by companies domiciled in Argentina, permanent establishments of non-residents of the country, trusts organized under Law No. 24,411, and common investment funds, among others. The tax rate is 1%. Taxpayers with assets in the country the aggregate value of which do not exceed AR$ 200,000 are exempt from this tax.

Shares and other participations in the capital of local companies are exempt from this tax. This tax is deemed to be payable in advance of the income tax in case the income tax is higher than it. If the minimum deemed income tax of a given year is higher than the income tax, the excess may be carried over to the following ten tax periods and used as a credit towards the income tax liability exceeding the minimum deemed income tax of the future tax period.

Value Added Tax (VAT)

Practically all economic transactions effected in Argentina are subject to this tax, which is levied on taxable supplies of goods and services in Argentina as well as imports of goods and services into the country. Exports of goods and services are zero rated. The exemptions are very limited generally restricted to educational services and international transportation. The general rate is 21%. Certain transactions are subject to a reduced rate of 10.5% (i.e. interest payable to local financial institutions and to foreign financial institutions located in countries where the Central Bank has adopted the international supervisory banking standards approved by the Basle Bank Committee) and certain supplies are subject to a higher rate of 27% (i.e. certain gas, energy and water supplies). In computing the VAT liability, input VAT may be credited against output VAT, so that only the value added to the taxpayer's supplies is taxed. VAT applies to each stage of the production or distribution of goods and services
upon the value added during each of the stages.

Tax on Bank Accounts

This tax is levied at the general rate of 0.6% on each credit and debit incurred in bank accounts registered with financial institutions. Though the taxpayer is the holder of the account, the bank is responsible for paying the tax. Certain fund transactions not executed through bank accounts are also subject to this tax at a 1.2% rate. The tax on bank accounts may be computed as a credit for income tax and minimum income deemed tax.

Personal Assets Tax

This tax is levied on Argentinean residents (individuals and legal entities) with respect to their worldwide net wealth exceeding AR$ 305,000 at the end of each calendar year. It is also levied on individuals and legal entities located abroad in relation to their net wealth located in Argentina at the end of each calendar year. Furthermore, residents and nonresidents are subject to the tax with respect to shares held in Argentinean companies. An ordinary foreign tax credit system is also available. Individuals domiciled in Argentina are subject to the tax on all their assets exceeding AR$ 305,000. The tax rate varies from 0.5% to 1.25% depending on the amount of these assets. For non-residents, the applicable rate is 1.25%. With regard to shares and other interests held by residents or nonresidents in Argentinean companies, the tax is payable by the issuing company at a flat rate of 0.5% on the pro-rata value of the securities according to the companies' net worth.

Excise Taxes

This tax is levied in one stage on the transfer and importation of goods specified by law (i.e. tobacco, alcoholic and non-alcoholic beverages, extracts, cellular and satellite phone services, luxury objects and engines) and on the rendering of specified services. Certain electrical appliances as well as certain electronic products are subject to the excise tax (e.g. air conditioning equipments; heating equipments; telephones and other devices for the transmission or reception of voices, images and other information; GPS'; among others). Excise taxes are levied at ad valorem rates based on the price of goods and services.

B. LOCAL (PROVINCIAL) TAXES

Turnover Tax

The turnover tax is a local tax levied on the regular exercise of an economic activity. The taxable base is the turnover (e.g. gross receipts). The relevant rates depend on the given jurisdiction and the activity carried out by the taxpayer. The tax rate average is 3%. Certain industrial activities may be exempt. For activities carried out in more than one jurisdiction, there is a distribution system which is common to all, referred to as the Multilateral Agreement.

Stamp Tax

This is a provincial tax levied on the execution of acts and contracts in any Argentinean jurisdiction other than the province of La Rioja. It is payable in the jurisdiction in which the economic transaction is instrumented but may also be applicable in the jurisdiction in which it has effects. The tax rate may vary in each jurisdiction, but it is usually between 0.8% and 1.5% of the economic value of the transaction.

Real Estate Tax

This is also one of the most common provincial taxes and is levied on the value of the property held. Rates vary according to each jurisdiction. In some provinces this tax is collected by municipalities.

C. LOCAL (MUNICIPAL) TAXES

As the scope of the municipal taxes is determined by each Provincial Constitution, municipal taxing rights generally encompass only those taxes levied as a consequence of services granted by the municipality. These taxes include those applicable to the granting of permission for starting an economic activity, taxes levied on security and health control of taxpayers' activities, taxes on the right to use public spaces and taxes on advertisements made in the municipality. Each municipality has its own tax system.

→ Labor Law and Social Security

Argentinean labor law is divided into three major areas: individual law, collective law and social security law. Individual labor law regulates the relationship between an employer and an employee by means of (i) the Employment Contract Law; (ii) regulations that apply to specific professional categories (i.e. journalists, sellers of goods or domestic employees); and (iii) the applicable collective bargaining agreement, depending on the activity developed by the employer. Collective labor law governs the relationship between unions, collective representatives of employees, and an employer or group of employers. The results of collective negotiations are collective bargaining agreements. Finally, social security law establishes the mechanisms by which the public administration grants monetary or other compensation to workers in the event of death or disability due to labor and non labor illnesses or accidents, or retirement.

The fundamental principles of Argentinean labor law include the following: employees' inability to waive their labor rights, continuity of the employment contract, priority of reality, good faith, social justice, equity, non discrimination, and gratuity of judicial proceedings.

Individual Labor

The parties to the individual labor relationship are the employee and the employer. The employee must be an individual of working and legal capacity, and cannot be substituted in this relationship by any other person. The employer is the individual person or legal entity that hires the employee. According to the Employment Contract Act, an employer (company) is defined as an organization of personal, material and non-material resources for the attainment of benefits or economic purposes. A company may be comprised of one or various branches. In case a company hires personnel for the provision of services to a third company, employees are considered direct employees of the hiring company. Temporary staffing companies are the exception to this rule, being specifically regulated by law and requiring formal authorization for the provision of their services. In cases where a company hires another entity to perform part of its normal, ordinary and specific activities, it shall be jointly and severally liable for labor infringement vis-à-vis the latter's employees. This liability extends to any company that controls or is affiliated with the employee's formal employer.

The employment contract is the agreement between an employee and an employer where the employee offers his services to the employer in exchange for payment of a salary. Such an agreement is characterized by the legal, economic and technical subordination of the employee to the employer. In principle, the employment contract does not require a specific form. In this sense, it does not need to be written to be valid. One exception, among others, is the fixed-term employment contract. The employment contract is presumed to last for an undetermined period of time. The law allows for an initial trial period of three months, during which no indemnification is due for termination of the contract without cause (with the exception of payment of indemnification equal to fifteen days of salary due to lack of prior notice).

A special kind of employment contract to be executed for an undetermined period of time is the seasonal employment contract. Even though its term length is undetermined, the effects of the contract –rendering of services and payment of a salary- only take place during the corresponding season determined by the nature of the employer's activity (i.e., life guards). Notwithstanding these rules, under special circumstances, the employment contract can have a limited duration. Such cases include: (i) fixed-term employment contracts, in which a term is established in advance by the parties, said fixed term being justified under extraordinary circumstances, (ii) temporary staffing contracts, in which a specific term cannot be preestablished, the term of the contract thus depends on the length of an extraordinary event (i.e., excess of seasonal work, performance of an extraordinary work, sick leave, maternity leave, replacements, etc.). The National Government determines the minimum salary.

According to the Employment Contract Act, every employee is entitled to a thirteenth salary paid as two semiannual bonuses at the end of June and December each year. Salaries are paid by deposit into the employee's bank account, which the employer must open on the employee's behalf. Fringe benefits have been specifically enumerated by the Employment Contract Act: they are reimbursement of medical expenses, supply of work clothing, reimbursement of nursery school tuition, provision of school supplies, raining courses, and seminars and burial expenses. These benefits are considered non remunerative payments, and therefore do not trigger payment of any social security contributions.

Termination of the employment contract may be motivated by various reasons. On the one hand, the employer can terminate the contract at will. If there is sufficient and just cause for the dismissal, no indemnification shall be due to the employee. If the termination is due to an unjustified dismissal (without cause), the employee shall be entitled to indemnification equal to one monthly salary per year worked, or a fraction equal to or higher than three months salary. The monthly salary to be paid is the highest normal, ordinary monthly salary accrued by the employee during the last year of employment. Notwithstanding the above, there are caps on collective bargaining agreements which must be considered when calculating employee indemnification. The cap is equal to three times the average of all salaries covered by the collective bargaining agreement in the respective work category. In case the employee's salary is higher than this cap, the latter shall be taken into account for the calculation of the indemnification. The floor of this indemnification is one month's salary, not taking into consideration the application of the collective bargaining agreement cap. Even though the legislation that establishes these caps is still in force, the National Supreme Court of Justice declared it unconstitutional in 2004 ("Vizzoti c/ AMSA"). Depending on the amount of the employee's salary, the calculation of the indemnification in case of dismissal without just cause shall be made according to the following alternatives: (i) if the collective bargaining agreement's cap is less than 67% of the salary, the cap amount must be taken as base for the calculation; (ii) if it surpasses 67%, the precedent of the Supreme Court becomes applicable, and the seniority indemnification shall be calculated considering 67% of the employee's salary multiplied by the number of years worked.

The employee shall also be entitled to prior notice of his dismissal without cause equal to one month if he has less than five years of seniority, or two months if he has five years or more of. In lieu of prior notice, the worker shall be entitled to one or two monthly salaries, depending on the seniority of the employee. The indemnification due for dismissals without cause shall be higher if the employee is dismissed during the period of protection for marriage or maternity, or is a union representative.

The employment contract may also be terminated by an employee for any serious infringement by the employer (thus entitling the employee to receive indemnification). If the employee terminates employment without cause, the employee shall not be entitled to any indemnification. Similarly, the employment contract may also be terminated as a result of the mutual agreement of both parties, in which case no indemnification is owed either.

The law also regulates other causes of employment contract termination which result in reduced or eliminated indemnification. These causes include: force majeure, lack of or decrease in workload, death of the employee or of the employer, disability of the employee, and bankruptcy of the employer and retirement of the employee.

Collective Labor

Collective labor legislation, which is referenced in the National Constitution and has been codified in specific labor laws, regulates the relationships, rights and duties between collective labor parties: labor unions and employers. Collective labor law governs the regulation of unions, collective negotiations and strikes. Each industry sector is entitled to a sector-specific union. The union negotiates with the employer or its collective representative the terms of the collective bargaining agreement that will regulate the activity in question. Unions must be recognized by the Secretariat of Labor. Even though the union represents all workers within the sector it represents, each worker is free to decide whether or not to become a member of the union. Contributions from union members and employers finance the unions.

Social Security Law

The scope of the social security regime's application goes far beyond that of labor law, since it extends not only to wage workers but to the independent workforce, the unemployed and people living in extreme poverty. Contingencies covered include death, disability due to occupational and non occupational illnesses or accidents, retirement, maternity, family expenses and unemployment.

The social security system is financed primarily by the employees' and employers' mandatory contributions, which range from approximately 40% to 44% of the employee's salary, depending on the size of the company.

The Occupational Risks Act establishes a system of protection against contingencies which may occur at work or resulting thereof, either by accident or occupational illness. They can be the cause of temporary or permanent disability, or death. This system foresees the existence of an Occupational Risks Insurers ("Aseguradores de Riesgos del Trabajo" or "ARTs") to indemnify injured workers. Employees cannot waive this which coverage. ARTs are obligated to not only provide insurance for occupational accidents or illnesses, but also to prevent their occurrence by implementing periodic health and safety controls within insured companies.

On December 2008, Law No. 26,425 revoked the semi-private system (in which private pension funds known as "AFJPs" managed retirement plans), thereby establishing that the State will manage the retirement system in the future. The conditions for retirement are that the employee reach the age of sixty (women) or sixty-five (men) having contributed a minimum of 30 years to the system. Employees may also obtain special retirement as a result of disability and deceased employee's family members may receive pension payments if the employee supported his or her family. The social security system also provides for family benefit payments. These include benefits for children, disabled children, prenatal, school support, maternity, birth, adoption and marriage benefits.

→ Real Estate

Argentina is a civil law country; consequently, its laws are stated in detailed codes such as the Civil or the Criminal Code. The National Constitution is Argentina's principal and fundamental source of rights, among which is private property. Additionally, the Civil Code, laws and regulations govern the rights of people and entities, all of which must be in accordance with the National Constitution. Real estate in Argentina is mainly regulated by the Argentine Civil Code.

The Argentine legal system regards ownership under the numerus clausus principle, therefore real estate rights are only those expressly recognized in the Civil Code or special laws. Ownership has been defined by the Argentine Civil Code as 'the ownership by means of which a certain thing is subject to the will and action of an individual' (section 2506). In particular, real estate is also regulated by other laws such as Condominium Law No. 13,512 (which regulates the subdivision of buildings into independent dwelling or business units) and Law No. 24,441 (related to housing and construction), which also provides for regulation of trusts.

The Civil Code stipulates that all agreements for the transfer of title, the creation of encumbrances and the conveyance of real property rights regarding property of other persons, as well as any other transaction inherent in the sale and purchase of real property, must be effected by means of a public deed. Leases, on the other hand, do not require a public deed. Pursuant to Public Law No. 17,801, all real property must be registered with the corresponding registries, except state-owned property. In addition, documents constituting, transferring, declaring, modifying or terminating ownership rights and those setting embargoes, restraining orders and similar legal

inhibitions shall also be registered. Each province of Argentina has its own real estate registry. National Law No. 17,801 sets forth general guidelines, but each jurisdiction has its own specific rules and regulations that must not be contrary to the national law. Consequently, fees and taxes imposed on the formalization of acts and contracts are established by the local relevant authorities and will therefore vary among the different jurisdictions.

Foreign investors

The Foreign Investment Law No. 21,382 states as a general principle that foreigners investing in Argentina enjoy the same status and have the same rights that the Constitution and domestic laws confer on local investors. As a general rule, there are no legal restrictions on the ownership of real estate by particular classes of persons. However, two exceptions can be pointed out: (i) pursuant to Decree-Law No. 15,385/44 (PL 12,913), the acquisition of property located in 'frontier zones' or 'security zones' by foreign individuals or legal persons requires the previous consent of the National Commission for Safety Areas; and (ii) Law No. 26,737 enacted in December 2011 imposes limits on the ownership or possession of rural land by foreign individuals or legal entities. For example, no more than 15% of the total amount of "rural lands" in Argentine territory may be owned or possessed by foreign individuals or legal entities. This percentage is also applicable to the territory of the province or municipality where the relevant lands are located. Under no circumstance may foreign individuals or legal entities of a same nationality hold or possess more than 30% of the aboveestated 15%. Also, ownership by the same foreign owner may not exceed one thousand hectares (1,000 Ha) of the "core area," or the "equivalent surface" to be determined by the enforcement agency according to the location of the land.

Business organizations incorporated abroad must register locally to be able to purchase real estate when it is not an isolated act. Additionally, within Argentina, the administration, use and zone regime of the land is governed locally and the jurisdiction comprising the property under matter will rule. Urban, construction, subdivision, development and zone indicators, among others, shall be considered depending on the ruling jurisdiction.

The owner of a real estate property has responsibility for damages (tort) and paying property taxes. The civil liabilities of an owner of real estate in our jurisdiction are established in the Civil Code. Accordingly, an owner will be responsible for any damages produced by or in the property and the owner should prove that there was no culpability from him to be released from responsibility. Nonetheless, if the damage was produced by a risk produced by the property or a defect of it, then the owner will be responsible regardless of culpability and will be released from liability only if the culpability of the damaged party is proven. Also, the owner can be released from responsibility if the property was used against his will.

Regarding environmental issues, the National Constitution and the Constitution of the City of Buenos Aires set forth the obligation of preventing and, if necessary, redressing any environmental damage. In addition, the National Constitution establishes that the federal

government specifies minimum environmental protection standards and that the provincial governments have their own specific laws and procedures.

An owner can protect itself from the consequences of most civil liabilities by taking out liability insurance; in general terms, it does not constitute an obligation except under certain legal regimes. In this sense, someone's property may be insured against fire, theft and destruction. Environmental General Law No. 25,675 provides that any person or entity carrying out activities that are dangerous for the environment must contract an insurance policy that guarantees the remediation of any damages the activity may cause. However, the lack of specific regulation on certain issues, such as the definition of 'environmental damage', constitutes a stumbling block for the insurance market, which continues to grant insurance under the normal standards of the industry. Under Argentine law, insurance over a risk in Argentina can only be taken in Argentina and not abroad.

Lease covenants and representation

According to Argentina's laws a lease will survive the sale of the property and must be respected by the buyer. It is usual for the seller to assume the duty of transferring the property free of tenants. However, if the property is subject to an existing lease and the buyer knows and accepts this situation, the seller is under obligation to maintain the situation and conditions from the date of contract to the closing date.

Leases and mortgages

It is general practice in our jurisdiction to include a clause in all mortgages stating that leases on the mortgaged property will not be allowed unless expressly authorized by the creditor and that if any lease is allowed, then the tenant must acknowledge and agree with the existing mortgage. Even if the lease contract makes no reference thereto, the lease will be subordinated to the prior mortgage and the creditor will be able to evict any tenant in the case of foreclosure. On the other hand, if the lease is prior to the mortgage, then a foreclosure proceeding will not affect the pre-existing lease.

Financing for real estate

The most frequently used method in cases involving the acquisition of real estate or transfer of property is the mortgage, for which there exists judicial and extrajudicial foreclosure. For significant and more complex investments or loans on real estate the use of a trust is more common, subject to suitable tax planning, which provides important advantages since the relevant assets (moveable and immoveable assets, not limited to rights or credits) may be placed in trust with a trustee that holds them as a separate estate, which is, according to Law No. 24,441, not subject to judicial proceedings of either the settler, the trustee or the beneficiaries.

Mortgages can only be created by public deeds prepared by public notaries. For a mortgage to be enforceable against third parties, it shall be registered in the real estate registry in the jurisdiction where the property is located.

For a mortgage loan it is possible to bring a judicial or extrajudicial foreclosure. As a consideration, the extrajudicial process might be more flexible under certain circumstances. Foreclosure of mortgages and pledges takes place through a special summary proceeding that provides for the sale of the property or the goods. As in any foreclosure, the defenses that the debtor may file are limited. Payment of a court tax is required. Pursuant to Law No. 23,898, the general rule is a tax of 3 per cent based on the amount involved; in the case of real estate, this is based on the amount determined by the tax valuation, unless the subject matter of the litigation has a higher value.

The time frame for a foreclosure varies but can be estimated to last between six months and two years. However, Law No. 24,441 gives a particular proceeding for foreclosure that is extrajudicial and shorter; to bring a foreclosure under the provisions of this law, the only requirement is to expressly include such a clause in the corresponding agreement.

Although Argentine law permits a summary proceeding to collect unpaid rent and a special proceeding to evict tenants, eviction proceedings in Argentina are difficult and time-consuming. Eviction proceedings generally take between six months and two years from the date of filing of the suit to the time of actual eviction.

The Civil Code establishes that someone´s debt is guaranteed by all of the debtor assets. If the loan is secured by a pledge or a mortgage, usually the creditor first has recourse against the security and then, should the security be insufficient, to the remaining property of the debtor. In bankruptcy filings or reorganization proceedings, a creditor whose loan is secured by a collateral such as a mortgage or a pledge shall have a privilege against other unsecured creditors up to the amount of the security (that is, they will collect their debt first, up to the secured amount), and then their claim will be prorated with the other creditors of the debtors.

→ Foreign Investment

Foreign Investment Act

Foreign investment is regulated in Argentina by law Nº 21,382 enacted in 1976 ("FIL") as amended by law Nº 22,208, law 23,697 and law 23,760. In September 1993 the Executive Power enacted Decree 1853/93 approving the new updated text of the FIL. The FIL carries three basic principles which are highlighted by Decree 1853/93.

Foreign investors may invest in the country in any economic activity – industrial, mining, agricultural, commercial, financial, provision of services or others related with the production and exchange of goods and services – without the need of any type of prior approval, and under conditions equal to those applicable to domestic investors.

There are no activities excluded from the principle – except for certain specific exceptions such as broadcasting or the acquisition of real estate in border areas or the limits established by law Nº 26,7373- nor is there any type of obligation of being associated with domestic investors or other type of restriction or condition.

Foreign investors have the right to repatriate their investments and to remit profits abroad at any time. In this sense it must be noted that capital repatriation is presently limited due to Central Bank of the Republic of Argentina (the "Central Bank") foreign exchange regulations limiting the purchase of foreign currency by non –Argentinean residents to a monthly cap, among other restrictions.

Since the reinstatement of foreign exchange controls in December 2001, as a general rule, all transfers of foreign currency to and from Argentina must be made through an Argentine licensed financial entity or foreign exchange house (the "FX Market") and are subject to numerous restrictions and requirements set forth in the applicable foreign exchange regulations.

While technically the Central Bank may grant, upon request, a special exemption from some of the restrictions described below, in practice it rarely does. The rate of exchange in the FX Market is determined by market forces, but the Central Bank has the power to intervene by buying and selling foreign currency for its own account, a practice in which it engages on a regular basis.

On October 31, 2011, the Tax Authority, through General Resolution No. 3210, implemented the Foreign Currency Transactions Consultation ("FCTC") computer system. When selling foreign currency, any entity authorized to carry out foreign currency transactions must verify the transaction's validity and register it through the new FCTC system. The Tax Authority will immediately decide whether the transaction is valid or shows inconsistencies, on the basis of the potential buyer's fiscal, economic and financial situation. As of July 6, 2012, the access of Argentine residents to the FX Market for the purchase of foreign assets for investment purposes ("atesoramiento") without Central Bank's prior authorization has been indefinitely suspended. Therefore, the procedure described before is only applicable for the acquisition of foreign currency for a limited number of purposes (i.e tourism and travel, payment of services, etc.)

Those foreign investors making capital investments in Argentina for the promotion of economic activities, or the extension or improvement of those already existing activities, have the same rights and obligations which are conferred by the National Constitution and local legal provisions to domestic investors.

Technically, Argentine companies may freely purchase foreign currency and transfer it abroad to pay profits and dividends to non-Argentine shareholders, provided that the dividends correspond to closed financial statements certified by external auditors and a number of documents have been duly filed. However, informal or de facto restrictions can not be ruled out.

Bilateral Investment Treaties

All guarantees available under the FIL have been reinforced and improved by the Bilateral Investment Treaties (BITs) entered into by Argentina during the 90s4. BITs have been designed to encourage foreign investments, providing investors with a safe environment in which to develop their businesses, through several guarantees and commitments which are voluntarily assumed by the host state. These guarantees deal both with foreign investor protection issues and dispute resolution clauses, providing for an international arbitration forum, at the investor's option.

The main aim of BITs protections and guarantees is to prevent or overcome any prejudice or restrictions which the host state may impose on foreign investment in its territory, either by means of particular or regulatory measures. For this purpose, it must be noted that that BITs supersede domestic acts, according to both international and domestic rules. Internally, this principle can be found in the Argentinean Constitution (Section 75 paragraph 22) and has been repeatedly acknowledged by the Argentinean Supreme Court. Accordingly, in case of conflict, BITs and international law should prevail.

Foreign Exchange

Following the 2001 economic and financial crisis, Argentina implemented strict control foreign exchange transactions that entailed restrictions on the acquisition of foreign currency by Argentinean and non-Argentinean residents and on the inflows and outflows of capital from Argentina (both regulations are related since there are no transfers abroad in Argentinean pesos). Decree 260/02 established a single free exchange system whereby exchange transactions can be made at the parties' freely agreed upon exchange rate, subject to the restrictions established by the Argentinean Central Bank. Pursuant to the Central Bank's regulations, exchange transactions can only be effected by entities authorized by the Central Bank to operate in foreign exchange ("Authorized FX Traders"). In addition, all exchange transactions require an exchange contract to be executed with the relevant Authorized FX Trader in which the parties must disclose the purpose of the underlying transaction. Copies of the exchange contracts must be made available for the Central Bank, which is able to analyze them and to request information from the Authorized FX Traders and the customers in order to verify whether the funds were in fact used for the purpose disclosed thereunder. Exchange contracts are considered sworn statements.

The underlying principle of exchange regulations is that no transaction may be made if it is not expressly authorized by those regulations, and that all transactions must be supported by

relevant documentation which must allow the Authorized FX Trader involved in the transaction to verify whether exchange regulations are being complied with. Transactions not complying with exchange regulations are reached by the Criminal Exchange Law No. 19,539, as amended.

Inflows of Funds into Argentina

Pursuant to Decree 616/2005, as regulated by the various Communications issued by the Central Bank, funds entering into Argentina may only be transferred abroad after a 365-day term, counted from the date the funds were converted into Pesos, has elapsed. Accordingly, financings must typically have a minimum duration of one year. In addition, all inflows and outflows of currencies from the Argentinean exchange market must be registered with the Central Bank by the Authorized FX Trader involved in the transaction.

Decree 616/2005 also subjects funds entering into Argentina to a 30% "withholding" that must be transferred to registered non-transferable interest free deposits with Argentinean banking entities during a 365-day term (i.e., 30% of the funds entering into Argentina must be automatically withheld by the Authorized FX Trader and allocated to this mandatory deposit). Pending such term, funds held in deposit cannot be disposed by any means nor used as collateral for any transaction. This mandatory deposit is generally applicable to the following transactions:

1. "EXTERNAL" FINANCINGS, i.e., financings granted to Argentinean residents by non-Argentinean residents to be repaid abroad. The mandatory deposit is not applicable to the primary issuance of securities, external financings with certain multilateral and bilateral lending agencies and with official lending agencies, and external financings aimed at the acquisition of certain non-financial assets or related with imports and exports. According to the Central Bank's regulations, only assets that are registered in the balance sheet of the companies as "durable goods" –machinery and equipment– (bienes de uso) or inventory (bienes de cambio) and "exploitation rights" (derechos de explotación) qualify as "nonfinancial assets" for purposes of this exemption. In addition, external financings aimed at the acquisition of non-financial assets must have a minimum duration of two years on average considering principal and interest payments.

2. TRANSFERS BY NON-ARGENTINEAN RESIDENTS EXCEPT FOR "DIRECT INVESTMENTS" (as this term is used internationally), which comprise the acquisition of participations in local companies and assets located in Argentina that qualify as "direct investment."

3. REPATRIATION OF CAPITAL BY ARGENTINEAN RESIDENTS for the surplus exceeding USD 2M per calendar month.

Inflows by non Argentinean-residents that are applied to the payment of certain taxes and contributions are exempt from the mandatory deposit.

Outflows of Funds from Argentina

The various regulations issued by the Central Bank have relaxed restrictions imposed on outflows of funds from Argentina, particularly regarding financings repayments, and payments of services, commercial debts and dividends. Repayment of external financings is generally permitted provided that the relevant financing complied with the applicable exchange regulation (the minimum duration and the 30% mandatory deposit) and was disclosed by the debtor pursuant to a certain information regime established by the Central Bank. In addition, prepayment of debts with non-residents domiciled abroad is permitted provided that certain conditions are met.

Payment of profits and dividends to foreign shareholders (or other foreign partners) resulting from financial statements certified by external auditors is legally permitted, irrespective of the sums involved. Services rendered by, and commercial debts owed to non Argentinean residents, may be paid with no limitation.

The Central Bank's regulations allow repatriations of capital by non Argentinean residents resulting from the disposal of "direct investments" in the Argentinean non-banking sector provided that the relevant direct investment has been maintained by the non-Argentinean resident for at least one year.

Capital repatriations are subject to a USD 2M monthly cap when they result from the winding-up of a company and to a USD 500,000 monthly cap when they result from the liquidation of portfolio investments. Except for these exceptions, purchases of foreign currency by non Argentinean residents are subject to a monthly cap of USD 5,000.

However, as stated before, informal or de facto restrictions can not be ruled out. Therefore, it may be possible in a large number of cases that, although complying with all the requirements of the law, monies will not be repatriated.

Transfer of Technology

All agreements signed between a licensor domiciled abroad and a licensee domiciled in the country which have effect in Argentina and in which the main or incidental objective is the transfer, assignment or licensing of foreign technology or trademarks in exchange for valuable compensation are governed by Law No. 22, 426.

The term "technology", as defined by the Law, encompasses all patentable inventions, industrial models and designs and any other technical knowledge applicable to the manufacturing of a product or the rendering of a service. Transfer of technology agreements must be filed with the Instituto Nacional de la Propiedad Industrial (National Industrial Property Institute – "INPI") for information purposes only. There are no limitations concerning any of the following issues: the