



Chandrawat
& Partners

Doing Business in **ARGENTINA**

A comprehensive guide

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INTRODUCTION

Argentina is an attractive location for foreign investment due to the large population of qualified human workers and commercial partnerships with neighbouring countries. It has the lowest illiteracy rate. Economy relies on a well-developed infrastructure network, providing access to the MERCOSUR markets (comprising Argentina, Brazil, Paraguay and Uruguay) as well.

Argentine laws do not pose restrictions on foreign investments, which encourage open investment for foreigners.



ECONOMIC OVERVIEW

Country has well developed industrial base showcases key sectors such as agribusiness, pharmaceuticals, automotive, chemicals and petrochemicals, biotechnology and design manufacturing.

It's a leading food producer

- 1.3rd in the production of Soybeans
- 2.4th largest producer of Soybean -oil, flour
- 3.7th largest producer of Barley
- 4.13th largest producer of Wheat in the world.

It also holds the 4th largest shale oil and second largest shale gas reserves in the world.

Leading industrial sector- food processing, beverages chemicals and pharma; motor vehicles and auto parts and manufacture of coke, oil refining and nuclear fuel.

Inflation has gone up by 50.9% in 2021 and 124.4% in August 2023

GDP (Billions in USD)- 2021- \$486.70 Bn

2022 (Estimated)- 632.24 Bn

2023 (E)- 641.10 Bn

2024 (E)- 63858 Bn

FOREIGN DIRECT INVESTMENT POLICY

A foreign direct investment refers to purchase of an asset in another country, such that it gives direct control to the purchaser over the asset.

As a general rule, foreign investors are subject to the same laws and regulations that apply to local investors. Our National Constitution states as a general principle that foreigners have the same status and the same rights that the law grants to local investors. In this sense, freedom to set up a business by foreign investors in Argentina is the prevailing principle.

There are no restrictions on foreign investments. However, there are restrictions in respect of certain economic sectors:

Acquisition of real property in border areas or security zones as per the National Regime on Security of the Borders (Decree Law No. 15,385) which in general terms sets forth that portion of land close to the borders of Argentina must be owned by Argentine native citizens;

In relation to special regimes, due, for instance, to anti-trust issues;

The participation in media companies/broadcasting (Law No. 25,750) that sets forth limits to the participation of foreign investors in certain media companies (Investment in media companies by foreign investors is limited to 30%, except United States who has an Investment Promotion and Protection Treaty with Argentina);



Acquisition of Rural Lands Law (Law No. 26,737) that imposes limits on the ownership or possession of rural land by foreign individuals or legal entities (and in cases of properties adjacent to certain bodies of water foreign ownership is prohibited).

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KEY SECTORS

As per data, share in Gross Domestic Product ("GDP")



AGRICULTURE

7.13%

- The sector is mainly based on livestock farming, cereal cultivation (wheat, corn and transgenic soy), citrus fruits, tobacco, tea and grapes (mostly for the production of wine).
- Argentina is the world's largest exporter of soy-derived products and the world's third largest producer of such products. Soy and sugar cane are extensively cultivated for bio-fuel production. As a result, the country is the world's largest exporter and sixth largest producer of bio-diesel.
- Additionally, given that the country is rich in energy resources, Argentina also has a great potential in terms of raw materials: it is the fourth largest natural gas producer in Latin America, and they have the world's third largest shale gas reserve and the fourth largest lithium reserve.



INDUSTRY

23.58%

Food processing and packaging - in particular meat packing, flour grinding and canning - and flour-milling are the country's main industries. The industrial sector also demonstrates strength in motor vehicles and auto parts, consumer durables, textiles, chemicals and petrochemicals, pharmaceuticals, printing, metallurgy and steel, industrial and farm machinery; electronics and home appliances. Industrial activity in Argentina continued to experience growth in 2022, registering a steady recovery from the impacts of the pandemic.



SERVICES

52.51%

Argentina has specialised in areas of high-tech services and is highly competitive in software development, call centres, nuclear energy and tourism. The telephone and ITC sectors are also developing dynamically, as well as tourism, which are increasingly becoming an important sector. In 2022, tourism experienced a significant growth as the depreciation of the Peso made the country an attractive destination for foreign visitors. As a result, the number of tourists in Argentina bounced back to pre-pandemic levels in 2022.

ADVANTAGES

Streamlined Credit Process- One of the main concerns of any entrepreneur or small business owner looking to start a business venture in Argentina (or any place for that matter) is financing their business. The good news for all those who are looking to start a business in Argentina is that the country has a more streamlined credit processing system as compared to many other countries in Latin America. In fact, Argentina was ranked 67th in the world on a list of countries where it was easy to get credit as a small business owner.

MERCOSUR- block offers access to a population of more than 250 mn people.

Educated professions- ranks 25 out of 100 countries and has an English Proficiency Index (“EPI”) score of 566, highest in Latin America.

Agriculture- one of the world’s top suppliers of soy and exports large amounts of wheat, corn, fruits and other crops.

Natural resources- oil reserves are the 32nd highest globally, and 35th largest proven national natural gas reserve.



TYPES OF BUSINESS

Corporation- minimum capital required- AR \$100,000

- The corporation is managed by a board of directors (who may also be shareholders).
- They may be appointed for a fixed term not exceeding three fiscal years. In case of a plural BOD, they must appoint a chairman and a vice-chairman in their first meeting to replace the chairman in case of absence or impediment. The chairman is the legal representative of the company, and the BOD must meet at least once every three months. The bylaws must regulate the constitution and operation of the board of directors. The quorum may not be less than the absolute majority of its members.

Limited Liability Partnership- should be adequate for developing company's purpose

- It is managed by one or more managers (who may also be partners). They may be appointed for a fixed term or indefinitely. Customarily, managers are appointed through the bylaws for a limited term. The number of managers may be as low as one and may increase or decrease from time to time. The administration and representation of the company corresponds to one or more managers. If the management is plural, the contract may establish the functions that each manager is responsible for in the administration or impose joint or collegiate administration. In the case of silence, it is understood that all managers are legal representatives and can act on behalf of the company

Branch of a foreign company- not mandatory to allocate capital

- The foreign branch in Argentina is not considered a separate legal entity, but an extension of the overseas parent company. Setting up a branch is ideal for companies who wish to establish a limited business presence in the company before making a larger investment commitment. Liability of the foreign branch rests entirely on the parent company. If the foreign branch has a permanent establishment in Argentina, then profits are liable to the Argentine Corporation tax.

Other like- Joint ventures, Cooperating groups, Cooperating consortium agreement





MINIMUM ELIGIBILITY CRITERIA

- Minimum of 2 directors and shareholders
- Notarized passport details of shareholder/directors
- Local registered agent and address of the company
- Registered apostille documents
- Annual meeting requirement

HOW TO SET UP A BUSINESS?

Criteria

- **Minimum of 2 directors and shareholders**
- **Notarized passport details of shareholder/directors**
- **Local registered agent and address of the company**
- **Registered apostille documents**
- **Annual meeting requirement**

Procedure- Corporation & LLP

- Verification of company name
- Certifying signatures of partners by notary public
- Deposit of capital at a bank
- Publishing of new company's notice in official paper
- Payment of incorporation fee
- Registration with the Public Register of Commerce
- Obtain a form from the Public Notaries College
- Corporate manager obtains a Fiscal Code
- Obtain a tax identification number from the National Tax Office

Branch Office

- Prove the existence of the parent company abroad
- Establish a domicile in Argentina
- Appointment of a representative or manager





TAXATION

- A corporate tax, also called corporation tax or company tax, is a type of direct tax levied on the income or capital of corporations and other similar legal entities. The tax is usually imposed at the national level, but it may also be imposed at state or local levels in some countries. Basic corporate tax rate- 30%
- A progressive tax is a tax in which the tax rate increases as the taxable amount increases. The term progressive refers to the way the tax rate progresses from low to high, with the result that a taxpayer's average tax rate is less than the person's marginal tax rate. Progressive tax rate (9%-35%)- personal income tax
- A value-added tax, known in some countries as a goods and services tax, is a type of tax that is assessed incrementally. It is levied on the price of a product or service at each stage of production, distribution, or sale to the end consumer. VAT rate- 21%
- Any profit or gain that arises from the sale of a 'capital asset' is known 'income from capital gains'. Such capital gains are taxable in the year in which the transfer of the capital asset takes place. This is called capital gains tax. No capital gains tax
- Stamp duty is a tax that is levied on single property purchases or documents. A physical revenue stamp had to be attached to or impressed upon the document to show that stamp duty had been paid before the document was legally effective. More modern versions of the tax no longer require an actual stamp. Stamp tax- 1%



ACCOUNTING STANDARDS

- Argentine has adopted IFRS for all companies whose securities are publicly traded.
- International Financial Reporting Standards (IFRS) are a set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world.

EMPLOYMENT & LABOR LAWS



Minimum wage- ARS 33,000\$

Holiday-

- 14 calendar days, length of service does not exceed 5 years
- 21 calendar days, length of service exceeds 5 years and not exceed 10 years
- 28 calendar days, length of service is greater than 10 years and not exceed 20 years
- 35 calendar days, length of service is greater than 20 years

Working hours-

- Legal working day- 8hrs/ day or 48 hrs/ week
- Night workday- 9pm – 6am, cannot exceed 7 hrs/ day or 42 hrs/ week
- Unhealthy working day- cannot exceed 6 hrs/ day and 36 hrs/ week
- Individuals between 16 and 18 years of age may work, and may not exceed 6 hrs/ day or 36 hrs/ week. Individuals under 18 may not work at night (from 9 pm to 6 am the following day)

Maternity leave/ pay-

- Prohibits a woman from working for 45 days prior to the probable date of delivery and for 45 days after the childbirth.

Paternity leave- shall have 2 calendar days leave for the birth of a child.

Statutory sick pay- paid leave for accident or illness that lasts from 3 to 12 months.

Statutory notice- must give prior notice of their decision to terminate the employment relationship-

- The employee- 15 days
- The employer
- 15 days if the employee has been employed for less than 3 months.
- 1 month if the employee has been employed for less than 5 years.
- 2 months if the employee has been employed for more than 5 years.

HOW CAN WE HELP?

Our team of professionals can assist clients in developing a comprehensive business plan that outlines their goals, target market, products or services, financial projections, and marketing strategies which can help them articulate their vision and make informed decisions about their company setup.

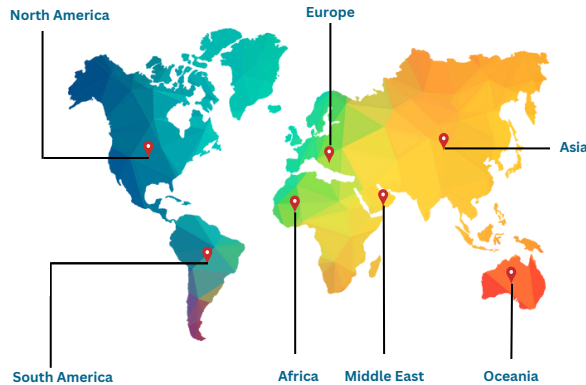
Our experts can conduct market research to help clients understand their industry, competition and potential customers and can provide insights into market trends, customer preferences and competitive advantages to support their business strategy.

Our team can guide clients in choosing the appropriate legal structure for their company, such as sole proprietorship, partnership, limited liability company or corporation and can explain the benefits and drawbacks of each option based on their specific needs and circumstances.

Our professionals can assist in facilitating connections between clients and potential business partners, suppliers or industry experts and assist them in expanding their network and explore collaborative opportunities.



SERVING CLIENTS WORLDWIDE



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