



# TTN Conference Buenos Aires

## DTT Argetina – Russia and the regime for expats



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&G

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## Scope of the DTT

- Russia: (i) Corporate Income Tax, 20%; (ii) Personal Income Tax, 13% - 30%; (iii) Tax on Property of Enterprises and Organizations, up to 2.2%; and (iv) Tax on Property of Individuals.
- Argentina: (i) Income Tax; (ii) Tax on Personal Assets; and (iii) Minimum Presumed Income Tax.

## Case of dual resident companies

- Companies might be considered resident of both states: Article 4.
- National is very broadly defined in Article 3 as “*deriving its status as such from the laws in force in a Contracting State*”.
- No definition of “resident companies” in the Russian Tax Code VS. Argentinean tax law uses the incorporation principle and a domestic concept of “permanent establishment”.

## Permanent establishment

- Service PE concept (consultancy services, etc. of 1 month aggregate on a 12 month- period).
- UN Model: 6 months for building sites.
- Dependent agent: purchase of merchandise and export of good.

# Business Profits

- Taxing powers to the residence country.
- Broad “*force of attraction*” principle.
- Protocol: respect limitation on deduction by domestic regulations.

# Dividends

Limitation to the source country:

- (i) 10% of the gross amount if beneficial owner holds 25% of the capital;
- (ii) 15% of the gross amount of the dividends in all other cases.

# Interests

- Limitation to the source country: 15% of gross amount in all cases.
- Domestic thin capitalization rules:
  - (i) Debt to equity ratio: Russia 3:1 VS. Argentina 2:1;
  - (ii) Russia “Control” concept VS. Argentina “related” companies.

# Royalties

- Limit of 15% at the source country.
- Protocol: registration requirement.
- Domestic law: Russia: 20% withholding VS. Argentina: (i) 12.5% for copyright; (ii) 21-28% technical assistance; (iii) 31.5% other royalties.



# Elimination of double taxation

- Credit method.
- Tax sparing clause: credit of presumptive tax by current and future industrial promotional regimens, mining developments and transaction in free trade zones. Other tax incentives: Bio-fuels, biotechnology and renewable energy.

# Income from employment

- Taxing powers to source country.
- Resident country, only if: (i) > 183 days in a 12-month period; (ii) payer not in source country; and (iii) not born by a PE in source country.

# Argentina's domestic rules

- Foreigners (without a resident permit and intention to stay in the country): non-residents.
- + 12 months: petition to the Tax Authorities once. Otherwise: shall be considered residents.
- Exemptions: students/researchers, diplomats and expats.

# International Assignees

- Only taxed on their Argentine source income, for Income Tax purposes, if come for a temporary assignment (less than 5 years).
- Social Security Treaty may apply.
- More than 5 years: option to be assigned directors of local subsidiaries.

# Social Security System

	Employee's	Employer's
Pension Fund	11%	17% or 21%
Health System	3%	6%
Special Contribution	3%	
Total	17% (A)	23 - 27% (B)

A) Monthly cap of ARS 48,598.08

B) For services and commerce and if annual turnover exceeds ARS 48,000,000, contribution is 27%.

# International Assignees

- Not required to contribute to the Argentine Social Security System, if:
  - ✓ they are professionals, researchers, scientist or technicians hired abroad to render services in Argentina.
  - ✓ maximum term: 2 years.
  - ✓ foreigners not holding permanent resident status.
  - ✓ covered against old age, disability and death contingencies in the country of residence.

# THANK YOU!

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