



This document has been provided by the International Center for Not-for-Profit Law (ICNL).

ICNL is the leading source for information on the legal environment for civil society and public participation. Since 1992, ICNL has served as a resource to civil society leaders, government officials, and the donor community in over 90 countries.

Visit ICNL's **Online Library** at
<http://www.icnl.org/knowledge/library/index.htm>
for further resources and research from countries all over the world.

Disclaimers

Content. The information provided herein is for general informational and educational purposes only. It is not intended and should not be construed to constitute legal advice. The information contained herein may not be applicable in all situations and may not, after the date of its presentation, even reflect the most current authority. Nothing contained herein should be relied or acted upon without the benefit of legal advice based upon the particular facts and circumstances presented, and nothing herein should be construed otherwise.

Translations. Translations by ICNL of any materials into other languages are intended solely as a convenience. Translation accuracy is not guaranteed nor implied. If any questions arise related to the accuracy of a translation, please refer to the original language official version of the document. Any discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes.

Warranty and Limitation of Liability. Although ICNL uses reasonable efforts to include accurate and up-to-date information herein, ICNL makes no warranties or representations of any kind as to its accuracy, currency or completeness. You agree that access to and use of this document and the content thereof is at your own risk. ICNL disclaims all warranties of any kind, express or implied. Neither ICNL nor any party involved in creating, producing or delivering this document shall be liable for any damages whatsoever arising out of access to, use of or inability to use this document, or any errors or omissions in the content thereof.

THE PROFITS TAX LAW This is G o o g l e's cache of
http://lib-citrix.law.utah.edu/ica/foreign/ARGENTIN/argentina_10.htm
as retrieved on May 27, 2005 21:08:34 GMT.
G o o g l e's cache is the snapshot that we took of the page as we
crawled the web.
The page may have changed since that time. Click here for the
current page without highlighting.
This cached page may reference images which are no longer available.
Click here for the cached text only.
To link to or bookmark this page, use the following url:
[http://www.google.com/search?q=cache:LjJN6ggIq0AJ:lib-citrix.law.utah.edu/ica/foreign/ARGENTIN/argentina_10.htm+argentina+20,628+\(section-20+OR+article-20\)&hl=en](http://www.google.com/search?q=cache:LjJN6ggIq0AJ:lib-citrix.law.utah.edu/ica/foreign/ARGENTIN/argentina_10.htm+argentina+20,628+(section-20+OR+article-20)&hl=en)

Google is neither affiliated with the authors of this page nor
responsible for its content.

These search terms have been highlighted: argentina 20628
article 20

ARGENTINA

THE PROFITS TAX LAW

Consolidated Text of 1997 (Approved by Decree 649/97, published August 6, 1997).
This Law was extended until March 31, 2000 by article 1 of Law 24919 of December
29, 1997, published December 31, 1997.

Original Law No. 20628 of 1986. Amended by Law 24885 of November 5, 1997,
effective January 1, 1998 and by Law 24919 of December 29, 1997, published
December 31, 1997.

Compiled March 1998

by Foreign Tax Law, Inc.

PO Box 2189

Ormond Beach, Florida 32175-2189 USA

tel. (904) 253-5785

fax (904) 257-3003

e-mail: ftlp@foreignlaw.com

Website: <http://www.foreignlaw.com>

DISCLAIMER: Though every effect has been made to present the legal texts and
information accurately, due to the nature and scope of the material, we cannot
be liable for errors, omissions or other problems in the texts. The material
offered herein is not a substitute for competent legal assistance by a licensed
attorney of the jurisdiction in question.

TITLE I. GENERAL PROVISIONS

SUBJECT AND OBJECT OF THE TAX

ARTICLE 1. Scope of Application.

All profits obtained by individuals or juridical persons shall be subject to the emergency tax enacted in this Law.

The subjects to which the preceding paragraph refers who are residents in the country, taxed on all of their profits obtained in the country or abroad, may compute the sums actually credited for similar levies paid as taxes on their activities abroad, up to the limit of the increase of the fiscal obligation originated through the incorporation of the profit obtained abroad.

Non-residents shall be taxed exclusively on their profits from Argentine sources, in accordance with that provided in Title V.

Undivided estates are taxpayers in accordance with the provisions established in article 33.

ARTICLE 2. Concept of Profit.

For the purposes of this Law, irrespective of the special provisions of each category and although not specifically mentioned therein, profits are:

(1) yields, income or enrichments subject to a periodicity that implies the permanence of the source producing them and their authorization;

(2) yields, income or enrichments that, complying or not with the conditions of the previous clause, are obtained by the responsible parties included in Art. 69 and all those derived from other companies, enterprises or sole proprietorships, unless, though not including the taxpayers comprised in Art. 69, they carry out activities indicated in clauses f) and g) of Art. 79 and they are not complemented by a commercial operation, in which case the provisions of the previous clause shall be applicable;

(3) the profits obtained through the disposal of depreciable chattels, no matter who acquires them.

ARTICLE 3. Concept of Alienation or Disposal.

For the purposes indicated in this Law, by alienation or disposal shall be understood the sale, exchange, barter, expropriation, contribution to companies and, in general any act of disposal by which ownership is transferred for consideration.

In the case of real property, alienation or disposal thereof shall be deemed when there exists a bill of sale or similar obligation, provided that possession is given, or, in default thereof, at the moment in which this act takes place, even when the deed transferring ownership has not been executed.

ARTICLE 4. Property Received by Inheritance.

For all the purposes of this Law, in the case of taxpayers who receive property through inheritance, legacy or gift, it shall be deemed that the value of acquisition shall be the taxable value that such property had for their predecessor on the date on which it became part of their estate, and the latter shall be considered as date of acquisition.

In the case that the said value cannot be determined, that fixed for the payment of the taxes charging the gratuitous transmission of the property, or in its absence, that attributable to the property at the date of this last transmission in the manner determined in the regulations shall be considered as the acquisition value.

SOURCE

ARTICLE 5. Principle of Territoriality or Source.

In general and irrespective of the special provisions of the following articles, profits arising in Argentina are those deprived from the property situated, placed, or used economically in the Republic, from the performance in the Territory of the Nation of any act or activity susceptible of producing profits

or of actions occurring within the limits of the same regardless of the nationality, domicile, or residence of the holder or of the parties intervening in the transactions, or of the place where the contracts are made.

ARTICLE 6. Real Property Rights.

Profits derived from credits guaranteed by real estate located in the National Territory shall be deemed of Argentine source. When the guarantee is on property located abroad, that which is provided in the preceding article shall be applied.

ARTICLE 7. Debentures.

Interest from debentures shall be deemed to have wholly arisen in Argentina when the issuing entity is established or located in the Republic, regardless of the place where the property guaranteeing the loan is located, or of the country in which the issue was made.

ARTICLE 8. Exports/Imports.

The determination of profits derived from the export and import of goods, shall be governed by the following principles:

(1) Profits derived from the export of goods produced, manufactured, processed, or purchased in the country arise totally in Argentina.

The net profit shall be established by deducting the cost of such goods, the expenses of transportation and insurance to the place of destination, the commission and selling expenses and the expenses incurred in the Republic from the selling price, insofar as they are necessary for obtaining the taxable profit.

When the price is not fixed, or that which is declared is lower than the wholesale price at the place of destination, it shall be presumed, unless evidence to the contrary is submitted, that there is an economic link between the local exporter and the foreign importer, it then being in order to take the wholesale price at the place of destination for determining the value of the goods exported.

Also regarded as export is the sending abroad of goods produced, manufactured, processed, or purchased in the country through associated companies, branches, representatives, purchasing agents, or other intermediaries of persons or entities in foreign countries;

(2) Profits obtained by foreign exporters by the mere introduction of their products into the Republic, are from a foreign source. However, when the price of the sale to the local purchaser is higher than the wholesale price in the country of origin plus, if applicable, transportation and insurance expenses to the Republic, it shall be considered, unless evidence to the contrary is submitted, that there is an economic link between the local importer and the foreign exporter, the difference being net profit arising in Argentina, for the last mentioned party.

In the cases where in accordance with the preceding provisions the current wholesale price in the country of origin or destination, as the case may be, should be applied and this price is not publicly and commonly known, or there are doubts about whether it applies to the same or analogous goods as the imported or exported ones, or where comparison is difficult due to other reasons, the calculation of profits arising in Argentina shall be made on the basis of the coefficient of results obtained by independent enterprises engaged in identical or similar activities. In the absence of an identical or similar activity the Bureau is hereby empowered to apply the net percentage that it establishes on the basis of branches of trade analogous to the one under consideration.

ARTICLE 9. International Transport & Container Transactions.

It is presumed without admitting proof to the contrary that companies not formed in the country, engaged in the business of transportation between the Republic and foreign countries, obtain net profits arising in Argentina equal to 10% of the gross amount of passenger fares and freights pertaining to such

transportation.

Likewise it is presumed, without admitting proof to the contrary, that 10% of sums paid by enterprises located or formed in the country to foreign shippers for freight on time or per shipment, constitutes net profits of Argentine source.

The presumptions mentioned in the preceding paragraphs shall not be applied in the case of enterprises founded in countries in which the tax exemption has been established or shall be established, by virtue of international conventions or treaties.

In the case of companies not formed in the country occupied in the business of containers for transport in the Republic or from it to foreign countries, it is presumed, without admitting proof to the contrary, that they obtain in respect of that activity net profits arising in Argentina equal to 20% of the gross amount originated in that conception.

The agents or representatives in the Republic of companies mentioned in this article shall be responsible in solidum with them for the payment of the tax.

The profits obtained by companies formed or located in the country occupied in businesses referred to in the preceding paragraphs shall be deemed to arise entirely in Argentina, regardless of the place between which the activity is carried out.

ARTICLE 10. International News Agencies.

It is presumed that international news agencies which supply news services to persons or entities residing in the country, for a price, obtain net profits arising in Argentina equal to 10% of the gross receipts, regardless of whether or not they have any agency or branch in the Republic.

The Executive Power is hereby empowered in general to fix percentages lower than that enacted in the preceding paragraph when the application of the 10% could give rise to results not in accordance with actual facts.

ARTICLE 11. Insurance.

Arising in Argentina are the receipts derived from insurance and reinsurance transactions covering hazards in the Republic or referring to persons who resided in the country at the time the contract was made.

In the case of assignments to foreign companies reinsurance and/or retrocession it is presumed without admitting proof to the contrary that 10% of the premiums assigned, net of annulments, constitute net profits arising in Argentina.

ARTICLE 12. Fees or other Remuneration from Abroad.

Remuneration or salaries of members of boards, councils or other organizations of enterprises or entities formed or domiciled in the country who act abroad shall be deemed to arise in Argentina.

Likewise, the fees or other remuneration in respect of technical, financial or other advice rendered from abroad are deemed to arise in Argentina.

ARTICLE 13. Cinema Films, Magnetic Tapes, Radio and TV Broadcasts, Telex, Etc.

It is presumed without admitting proof to the contrary that 50% of the price paid to the producers, distributors or intermediaries for exhibition in the country of the following represents net profits arising in Argentina:

- 1) Foreign motion pictures.
- 2) Magnetic audio-visual tapes made abroad.
- 3) Radio and television broadcasts issued from abroad.
- 4) Telex, Fax or similar services transmitted from abroad.

5) Any other foreign projection media, reproduction, transmission or broadcast of images or sound.

This provision also applies where the price is paid as a royalty or analogous concept.

ARTICLE 14. Branches and Affiliates of Foreign Enterprises.

The branches and other stable establishments of foreign concerns, enterprises, persons or entities must keep their accounting records separately from their head offices, other branches and other stable establishments or affiliates (subsidiaries) thereof, making, if applicable, the necessary corrections for assessing the taxable amount arising in Argentina.

In the absence of sufficient accounting records or when these do not show accurately the net profit arising in Argentina, the Bureau may deem that the entities in the country and abroad referred to in the preceding paragraph form one economic unit, and determine the net taxable profit.

The juridical acts made between a local enterprise with foreign capital and the physical or juridical person domiciled abroad, that directly or indirectly, controls it, shall be deemed, for all purposes, as made between independent parties when their services and conditions are in accordance with the normal market practices between independent entities with the following limitations:

(1) Loans: Must be in accordance with the provisions enacted in clause 1 of Art. 20 of the foreign investment law (1980 consolidated text, as amended).

(2) Contracts governed by the Law of Transfer of Technology: Must be in accordance with the enactments of the said Law to that effect.

When the requirements envisaged in the previous paragraph are not met, in order to consider the respective transactions as made between independent parties, the loans shall be treated according to the principles which regulate the contribution and profit.

For the purposes of this article, by local enterprise with foreign capital shall be understood that which has that nature in accordance with that which is provided in clause 3 of art. 2 of the foreign investment law (1980 consolidated text, as amended).

ARTICLE 15. Power of the Bureau to Determine Argentine Source Profits.

When by reason of the nature of the transactions, or the organizational characteristics of the enterprises, the profits arising in Argentina cannot accurately be assessed, the Bureau may determine the net profit subject to tax by means of averages, indices or coefficients established on the basis of results obtained by independent enterprises engaged in activities of equal or similar characteristics.

ARTICLE 16. Official Representatives Abroad.

In addition to the provisions of Art. 5, the profits from personal labor are also deemed to have arisen in Argentina when it consists of salaries or other remuneration paid by the State to its official representatives abroad or to other persons to whom it entrusts the performance of functions outside the country.

NET PROFITS AND PROFITS SUBJECT TO TAX

ARTICLE 17. Establishment of Net Profits.

In order to establish the net profits, the expenses allowed by this Law, necessary for obtaining, maintaining, and conserving the source, where deduction thereof is allowable under this Law, shall be deducted from gross profits in the manner that this Law provides.

In order to establish the net profit subject to tax, the deductions authorized in Art. 23 shall be subtracted from the combined net profits of the first, second, third and fourth categories.

In no case shall the expenses linked to exempt profits or profits not comprised in this tax be deductible.

When the net results from investments in luxuries, personal recreation and the like, determined in accordance with the provisions of this law, show a loss, they shall not be computed for tax purposes.

FISCAL YEAR AND ALLOCATION OF PROFITS AND EXPENDITURE

ARTICLE 18. Fiscal Year.

The fiscal year shall commence on January 1 and end on December 31.

Taxpayers shall allocate their profits to the fiscal year in accordance with the following rules:

1. Profits obtained by the owner of civil, commercial, industrial, agricultural, cattleraising, or mining enterprises, or as partners thereof, shall be allocated to the fiscal year in which the corresponding financial year ends.

Profits indicated in Art. 49 shall be deemed to pertain to the fiscal year in which ends the financial year in which they were accrued.

When accounts of the transactions are not kept, the financial period shall coincide with the fiscal year, unless the Bureau issues other provisions, the latter being empowered to fix closing dates for the financial period, in accordance with the nature of the enterprise or other special circumstances.

Deemed profits of the financial period are those accrued in the same. Notwithstanding, when the profits arise from the sale of merchandise made with financing periods of more than 10 months, it may be opted to allocate the profits to the time in which the respective installments are due, in which case the option must be maintained for the term of 5 years, and its exercise shall be formalized by means of the procedure which the regulation shall determine. The criteria of allocation authorized previously may also be applied in other cases expressly provided by the law or its regulatory decree. Dividends from shares and interest from instruments, bonds, debentures and other securities shall be allocated to the financial year in which they have been put at the disposal of the taxpayer.

2. Other profits shall be allocated to the fiscal year in which they are received, except those pertaining to the first category which shall be allocated by the method of accrual.

Directors' fees, fees of trustees or those of members of boards of auditors and fees paid to administrative partners shall be allocated by said subjects to the fiscal year in which the general meeting (assembly) or meeting of partners, as the case may be, approved their assignment.

Profits derived from superannuations and pensions paid by pension funds and those derived from the discharge of public office or from personal work performed for an employer which, as a consequence of retroactive modifications of collective labor agreements or statutes or grading schemes, judicial sentences, acceptance of a claim or resolution of an administrative appeal by a jurisdictional authority, are received in a fiscal period but accrued in

previous fiscal periods, may be allocated by the beneficiaries to the fiscal periods to which they correspond. The exercise of this option implies the renunciation of the prescription period to which the taxpayer is entitled.

When the allocation corresponds in accordance with its accrual, it should be effected on the basis of time, provided that stipulated or presumptive interest except that derived from securities rents and other items of similar characteristics are involved.

The preceding provisions regarding allocation of profits shall be applied correspondingly to the allocation of expenses, unless the contrary is provided for. The expenses not corresponding to be allocated to a certain source of profits shall be deducted in the period in which they are paid.

Differences in taxes derived from adjustments shall be computed in the tax return corresponding to the financial year in which they were determined or paid, in accordance with the method utilized for the allocation of expenses.

When profits have to be allocated in accordance with their receipt, they shall be deemed to be received and the expenses deemed paid, when they are collected or paid in cash or in kind and, also, in the cases in which, being at disposal, they have been credited in the account of the holder or, with express or tacit authorization or conformity, reinvested, accumulated, capitalised, placed in reserve or in an amortization or insurance fund, whatever its denomination, or disposed of in another manner.

With relation to plans of Retirement Insurance privately administered by entities subject to the control of the Superintendent of Insurance, the following shall be considered as received only when collected:

- (a) Benefits derived from compliance with the requirements of the plan and
- (b) redemptions by the withdrawal of the insured from the plan for any cause whatsoever.

In the case of distributions made by local enterprises of foreign capital which result in taxable profits from Argentine sources for a company, person or group of persons abroad who participates, directly or indirectly, in their capital, control or direction, or for another foreign enterprise or establishment in whose capital that company, person or group of persons participate or in which the local enterprise which made the distribution participates, directly or indirectly, the allocation to the tax return may only be made when they are paid or when any of the cases provided in the preceding paragraph are configured, or, in default thereof, if any of the circumstances mentioned shall be configured within the period provided for the filing of the sworn declaration of the fiscal year in which the respective distribution accrued.

OFFSETTING OF LOSSES AGAINST PROFITS

ARTICLE 19. Carry Forward Losses.

In order to establish the aggregate net profit, net results obtained in the fiscal year shall be offset within each category and among the different categories.

When in a year a loss is sustained, this may be deducted from the taxable profits obtained in the years immediately following. When 5 years have elapsed after that in which the loss was sustained, no deduction of the loss still remaining may be made in subsequent periods.

For the purposes of this article amounts authorized by the Law as deductible in

respect of the concepts indicated in Art. 23 shall not be deemed losses.

Losses shall be adjusted taking into account the variation of the wholesale price index, general level, prepared by the National Institute of Statistics and Census, between the closing month of the fiscal year in which they arose and the closing month of the fiscal year which shall be set off.

Notwithstanding that which is provided in the preceding paragraphs, losses derived from the sale of shares, quotas or partnership participations - including shares in common investment funds - of the subjects, companies and enterprises to which art. 49 refers in letters a), b) and c) and in the last paragraph thereof, may only be allocated against net profits resulting from the sale of said assets.

Losses derived from activities whose results cannot be considered of Argentine source may only be offset with gains from that same source.

When the allocation provided in the preceding paragraph cannot be made in the financial period in which the loss was experienced or cannot be totally set off, the amount not set off, adjusted in the manner provided in this article, may be deducted from the net profits which shall be obtained in the immediately following 5 years from the same type of transactions.

EXEMPTIONS

ARTICLE 20. Exemptions.

Exempt from the tax are:

- a) Profits of national, provincial, and municipal treasuries and that of institutions belonging to them, excluding entities and organizations included in art. 1 of Law 22.016.
- b) Profits of entities exempt from tax by national laws, insofar as the exemption granted by those covers the tax of this Law, and provided that the profits derive directly from the main enterprise or activity motivating the exemption granted to the said entities;
- c) Remuneration received in the exercise of their duties by diplomats, consular agents, and other official representatives of foreign countries in the Republic; profits derived from buildings belonging to foreign countries used for offices or residence of their representative and interest received on their fiscal deposits, providing reciprocity exists;
- d) Profits of cooperative societies of any nature and those that, under any denominations, (return, share interest, etc.) consumer cooperative societies distribute among their members;
- e) Profits of religious institutions;
- f) Profits obtained by associations, foundations and civil entities of social welfare, public health, charity, benevolence, education and instruction, science, literary, artistic, trade unions and those of physical or intellectual culture, provided such profits and corporate assets are used for the purpose for which they were created and are, in no event, distributed either directly or indirectly among their members. Excluded from this exemption are those entities that obtain their revenue, totally or partially, from the exploitation of public shows, games of chance, horse racing, and similar activities;
- g) Profits of mutual entities that comply with the requirements of the pertinent legal rules and regulations, and the benefits that they furnish to their members;
- h) Interest derived from the following deposits made in institutions subject to the legal system of financial entities:
 - (1) Savings Accounts;
 - (2) Special Savings Accounts;

(3) Fixed term deposits;

(4) Deposits of third parties or other ways of obtaining funds from the public in accordance with the decisions of the Central Bank of the Argentine Republic by virtue of the enactments in the respective legislation.

Excluded from the preceding paragraph is interest derived from deposits with an adjustment clause.

The provision made above does not prevent special laws being in force enacting exemptions of equal or greater scope;

i) The interest recognized in a judicial or administrative seat as accessories of labor credits.

Indemnities received in respect of seniority in cases of dismissal, and those received as capital or income by reasons of death or disability due to accident or illness, whether paid as the result of the provisions of civil laws and special social welfare provisions, or as a consequence of an insurance contract.

Retirement pensions, withdrawals, subsidies, or the remuneration collected during leaves of absence or absence due to illness, the indemnities received in lieu of notice of dismissal, and benefits or redemptions netted from non-deductible contributions derived from Retirement Insurance privately administered by entities subject to the control of the Superintendent of Insurance, except those originated in the death or incapacity of the insured, are not exempt;

j) Profits, up to the sum of \$10,000, derived from the exploitation of copyright and the remaining profits derived from rights covered by Law No. 11,723, provided that the tax falls directly on the authors or their heirs and that the respective works were duly registered in the National Administration of Authors' Copyright, and that the profits originate from the publication, execution, representation, exhibition, transfer, translation or other kind of reproduction, and not from work ordered by a client, the rental of a work or for rendering a service, whether or not formalized by a contract. This exemption shall not be applied to beneficiaries abroad.

k) Profits from bonds, shares, securities, certificates and similar documents issued or which shall be issued in the future by official or mixed entities, in the part pertaining to the Nation, provinces or municipalities, provided a general or special law so provides or when the Executive Power so resolves;

l) The sums received by exporters of goods or services pertaining to reimbursements granted by the Executive Power in concept of taxes paid in the internal market, which, directly or indirectly are levied on certain products and/or their raw material and/or services;

m) Profits of athletic and physical culture associations, provided they are non-profit entities, do not authorize games of chance, and/or their merely social activities do not prevail over the athletic activities according to the regulations enacted by the Executive Power.

The exemption enacted above shall apply to foreign associations provided reciprocity exists;

n) The difference between the premiums or quotas paid and the capital received on the due dates in the cases of life and mixed insurance, and capitalization securities or bonds, except in the cases of Retirement Insurance plans privately administered by entities subject to the control of the Superintendent of Insurance;

o) The rental value of the dwelling house when occupied by the owner;

p) Premiums on the issue of shares and the sums obtained by simple limited liability partnerships and partnerships limited by shares, in respect of the part corresponding to the limited capital, as a result of the subscription

and/or integration of shares and/or stock participations in respect of amounts exceeding the nominal value thereof;

q) Interest derived from mediation in financial transactions between third parties, resident in the country, realized by institutions comprised in the Law of Financial Entities, insofar as they count with guarantees extended by the said entities and referring to the placing of documents emitted by the selfsame takers of the funds or otherwise through the negotiation of documents of third parties that they hold in their portfolio;

r) Profits of international institutions without profitable aims with legal personality, the headquarters of which are situated in the Argentina Republic.

Likewise considered included in this letter are profits of non-profit institutions to which the preceding paragraph refers which have been declared of national interest, even when not an accredited legal entity authorized in the country or if they do not have a central office in the Argentina Republic.

s) Interest on development loans granted by international or foreign institutions, subject to the limitations fixed in the regulations;

t) Interest on credits derived from abroad:

(1) To finance imports of amortizable personal property, except automobiles. Only the original financing which the seller shall grant, or that obtained by his intermediary or directly by the purchaser or by the importer of the country shall be covered by the exemption, provided that it shall be applied exclusively to the referenced imports.

(2) By national, provincial and municipal treasuries and by the Central Bank of the Argentine Republic;

u) Gifts, inheritances, legacies and all other gratuitous enrichments and profits covered by the law taxing prizes of certain games and athletic competitions;

v) The amounts derived from the updating of credits of whatever origin or nature. In the case of updating of credits configured by profits which must be allocated by the system of that received, the exemption for the up-dating shall proceed only for the up-dating after the date of their allocation. For the preceding purposes, exchange differences shall be considered included in this letter.

The updating referred to in this clause excluding exchange differences and updating fixed by law or judicially must derive from an express agreement between the parties.

The provisions of this clause shall not apply to the payments made in the case envisaged in the fourth paragraph of Art. 14, nor cover the updating exempted from this tax by special laws, or that constitute profits from abroad.

w) The results derived from transactions of purchase-sale, exchange or disposal of stocks, shares, bonds and other securities, obtained by individuals and undivided successions which carry out said transactions habitually, excluding the subjects included in letter c) of art. 49.

When interest assets mentioned in letters h) and q), or up-dated assets to which letter v) refers, coexist with the interest or up-dating mentioned in art. 81, letter a), the exemption shall be limited to the positive balance which results from the off-set thereof.

The exemption provided in clauses f), g) and m) shall not be applied to those institutions included therein if during the fiscal period they paid to any of the persons forming part of the directive, executive or controlling bodies of the company (directors, councilors, receivers, account auditors, etc.), whatever they might be called, any amount in respect of anything, including representation expenses and similar fees, over 50% of the annual average of the

three highest paid persons of the administrative personnel. Neither shall the cited exemptions be applied, regardless of the amount of the compensation, for those entities that have prohibited the payment thereof by means of the norms that govern their constitution and functioning.

The exemptions established in letters h), q), and v) shall be in force until December 31, 1986, the national Executive Power being empowered to extend this period for financial and economic reasons, giving account to the Honorable Congress of the Nation of the use of this attribution. (The date indicated has been extended each year since 1986 by various Decrees, and was last extended until December 31, 1998 by Decree 1472/97, published January 5, 1998.)

ARTICLE 21. Transfer of Receipts to Foreign Treasuries.

The total or partial exemptions or tax reductions, affecting the tax of this law, whether or not included herein, shall not be effective to the extent that a transfer of receipts to foreign treasuries could result. The preceding provision shall not apply in respect of clauses (k) and (t) of the preceding article and when it affects international agreements signed by the Nation in questions of double taxation. The measure of the transfer shall be determined in accordance with the proofs, that in this respect, must be supplied by the taxpayers. In the event that such proofs are not supplied, the total transfer of the exemptions or tax reductions shall be presumed, duly granting to the respective amounts the treatment that this law enacts in accordance with the type of profits involved.

For these purposes, certificates issued in the foreign country by the corresponding organizations of enforcement or by professionals authorized for such purposes in the said country, shall be deemed sufficient. In all cases the pertinent legalization by the Argentina Consular authority shall be indispensable.

BURIAL EXPENSES

ARTICLE 22. Burial Expenses.

From the profits of the fiscal year, no matter the source of the profit, and within the limitations contained in this law and on condition that they comply with the requirements established in the regulation for the purpose, burial expenses incurred in the country may be deducted up to the sum of four centavos (\$0.04) per peso when they correspond to the taxpayer or to his dependents in accordance with Art. 23.

NON-TAXABLE PROFITS AND FAMILY ALLOWANCES

ARTICLE 23. Conditions of Deductions.

Individuals shall be entitled to deduct from their net profits:

- (a) In respect of nontaxable profits the sum of 4,800 Pesos, provided they are resident in the country;
- (b) In respect of family allowances, provided the persons indicated are resident in the country, are supported by the taxpayer and have no net income in the year over 4,800 Pesos, whatever its origin and whether or not subject to tax:
 - (1) 2,400 Pesos per year for the spouse;
 - (2) 1,200 Pesos per year for each son, daughter, stepson or stepdaughter less than 24 years of age or unable to work;
 - (3) 1,200 Pesos per year for each lineal descendant (grandchild, greatgrandchild) less than 24 years of age or unable to work, for each ancestor (parents, grandparents, greatgrandparents, stepfather and stepmother); for each brother or sister of less than 24 years of age or unable to work.

The deductions in this clause may only be made by the nearest relations who have taxable profits.

(c) In respect of a special deduction up to the sum of 6,000 Pesos when dealing with net profits included in Art. 49, provided that they work

personally in the activity or enterprise, as well as net profits included in Art. 79.

The payment of the contributions that self-employed workers must pay obligatorily to the Integrated System of Pensions and Retirement or to the corresponding substituted Superannuation Funds is an indispensable condition for the computation of the deduction to which the preceding paragraph refers, in relation to the revenue and respective activity.

The amount provided in this letter shall be raised by 200% in the case of profits to which letters a), b) and c) of cited article 79 refers. The regulation shall establish the procedure to follow when profits not included in this paragraph are also obtained.

ARTICLE 24. Computation of Deductions.

The deductions envisaged in clause (b) of Article 23 shall be taken by monthly periods, computing as a whole the month in which the causes determining their computation or cessation occur (birth, marriage, death, etc.).

In the case of the death of the taxpayer, the deductions envisaged in Art. 23 shall be taken by monthly periods, computing as a whole the month in which such event occurs. Undivided estates shall deduct, applying the same criterion, the amounts to which the deceased would have been entitled.

The monthly amounts to compute shall be those which are determined by applying the procedure to which the third paragraph of art. 25 refers.

ARTICLE 25. Updating of Amounts.

The amounts referred to in Arts. 22, 8181 (b) and the steps of the scale of Art. 90, shall be updated annually through the application of the coefficient, fixed by the Bureau on the basis of the data that should be applied by the National Institute of Statistics and Census.

The updating coefficient to be applied shall be calculated taking into account the variation produced in the wholesale price index, general level, relating the average of the monthly indices corresponding to the respective fiscal year, to the average of the monthly indices corresponding to the fiscal year immediately preceding.

The amounts to which article 23 refers shall be fixed annually considering the sum of the respective monthly amounts updated. These monthly amounts shall be obtained by updating each month the amount corresponding to the immediately preceding month, commencing from the month of January on the basis of the month of December of the preceding fiscal year, in accordance with the variation occasioned by the wholesale price index, general level, drawn up by the National Institute of Statistics and Census.

When the Bureau enacts withholdings of the profits tax comprised in clauses (a), (b), (c) and (e) of Art. 79, the updating of the monthly amounts should be effected in accordance with the procedure set forth in this article, in a provisional manner. Notwithstanding, withholding agents may opt to carry out the corresponding adjustments quarterly.

The Bureau may round-off upwardly in multiples of 12 the amounts being updated by virtue of the provisions of this article.

CONCEPT OF RESIDENCE

ARTICLE 26. Resident Individuals.

For the purposes of the deductions envisaged in Art. 23, individuals who live in the country for more than six months during the fiscal year shall be considered

as resident in the Republic.

For all the purposes of this law, individuals who live abroad in the service of the Nation, provinces or municipalities and the officials of Argentine nationality who act in international organizations, of which the Argentina Republic is a member, are also deemed resident in the country.

CONVERSION

ARTICLE 27. Currency valuation.

All property brought into the country or given or received in payment, without a definite price in Argentine currency, must be valued in pesos on the date received in payment, unless specifically provided otherwise in this law.

For this purpose the provisions of Article 68 shall be applied.

PROFITS OF SPOUSES

ARTICLE 28. Tax System for Profits of Spouses in Common.

The provisions of the Civil Code in regard to common profits of spouses are not applicable for the purposes of profits tax, the rules contained in the following articles being applied instead.

ARTICLE 29. Profits Attributable to Each Spouse.

It is in order to attribute to each spouse the profits derived from:

1. Personal activities (professions, trade, employment, commerce, industry);
2. Personal property;
3. Property acquired with the product of the exercise of their professions, trade, employment, commerce or industry.

ARTICLE 30. Profits from Property Held in Common.

It is in order to attribute totally to the husband the profits from property held in common except:

1. In the case of common property acquired by the wife in the conditions enacted in clause (c) of the previous article;
2. If there exists legal separation of property;
3. When the administration of common property has been transferred to the wife by virtue of a judicial decision.

PROFITS OF MINORS

ARTICLE 31. Profits of Minors.

Profits of minors must be declared by the person who enjoys the usufruct thereof.

For this purpose the profits of the minor shall be added the usufruct's own.

PARTNERSHIPS BETWEEN SPOUSES

ARTICLE 32. Associations formed between Spouses.

For the purposes of the present tax, associations formed between spouses shall only be admissible when the capital contributed to the same consists of property, the ownership of which pertains to them in accordance with the provisions of Arts. 29 and 30.

UNDIVIDED ESTATES

ARTICLE 33. Declaration of Profits.

Undivided estates are taxpayers in respect of the profits they obtain until the date on which the declaration of inheritance is issued, or the will accomplishing the same purpose is probated, being subject to the payment of the tax, after making the deductions to which the deceased would have been entitled in accordance with the provisions of Art. 23 within the limits imposed therein.

ARTICLE 34. Procedures after the Declaration.

Once the declaration of inheritance is issued or the will probated and for the period corresponding until the date on which the apportionment account is approved, judicially or extrajudicially, the surviving spouse and the heirs shall add to their own profits the proportion of the profits of the estate to

which they are entitled, according to their social or hereditary rights. Legatees shall add to their own profits those produced by the properly bequeathed.

As from the date of approval of the apportionment account each one of the legally entitled beneficiaries shall include in his own sworn return the profits of the property adjudicated to him.

ARTICLE 35. Losses of the Deceased.

The final loss sustained by the deceased may be offset against the profits obtained by the estate until the date of the declaration of inheritance or until the will is probated, in the manner enacted in Art. 19.

If a balance still remains, the surviving spouse and the heirs shall proceed likewise, as from the first fiscal year in which they include in the individual tax returns profits derived from property belonging to the estate or inherited property. The aforesaid offset of losses may be made against taxable profits obtained by the estate and the heirs up to and including the 5th year after that in which the loss was sustained.

An analogous procedure shall be adopted by the surviving spouse and the heirs in respect of final losses sustained by the estate.

The part of the final loss sustained by the deceased and the undivided estate which each of the heirs and the surviving spouse may offset in their tax returns, shall be that resulting from pro rata apportionment of the losses according to the percentage of the total inheritances of each legally entitled beneficiary.

ARTICLE 36. Allocating the Profits of the Deceased.

When a taxpayer has followed the procedure of receipts for the purposes of liquidation of the tax, the profits produced or accrued but not received up to the date of his death shall be dealt with at the interested parties' option, in one of the following ways:

1. Including them in the deceased's last sworn return;
2. Including them in the sworn return of the estate, surviving spouse, heirs and/or legatees, in the year in which they receive them.

UNDOCUMENTED EXPENSES

ARTICLE 37. Deduction of an Unsupported Expense.

When expenditure lacks documentation and it is not otherwise proved that, due to its nature, it had to be incurred for obtaining, maintaining, and conserving taxable profits, its deduction in the tax return shall not be allowed and, in addition, it shall be subject to payment at the rate of 33% which shall be deemed definite and final.

ARTICLE 38. Exception to Payment of the Rate on Unsupported Expenses.

The payment indicated in the previous article shall not be demanded in the following cases:

1. When the Bureau presumes that the payments have been made for acquiring assets;
2. When the Bureau presumes that the payments in view or their amount, etc. do not represent taxable profits in the hands of the beneficiary.

WITHHOLDING TAX

ARTICLE 39. Collection of Tax at the Source.

Collection of the tax shall be effected through withholding at source in the cases and in the manner enacted by the Bureau.

ARTICLE 40. Impugnment of the Expense.

When the taxpayer has not complied with his obligation to withhold the tax in accordance with the rules in force, the Bureau may, for the purposes of the taxpayer's return, impugn the expense incurred by him.

TITLE II. CATEGORIES OF PROFITS
CHAPTER I - FIRST CATEGORY PROFITS
INCOME FROM LAND

ARTICLE 41. Income Included.

Insofar as it does not correspond to include them in Art. 49, the following are profits pertaining to the first category and must be declared by the owner of the respective real property:

1. Income, in cash or in kind, from the leasing of urban and rural real property;
2. Any kind of recompense received from third parties for granting real property rights of usufruct, use, habitation, or antichresis;
3. The value of improvements made to real property by lessees or tenants that benefit the owner, in respect of the part he is not obliged to recompense;
4. Direct, territorial, or other taxes assumed by the tenant or lessee;
5. The amount paid by the tenants or lessees for the use of furniture and other accessories, or services supplied by the owner;
6. The rental value computable in respect of the real property occupied by its owners as a place of recreation, summer residence, or for other similar purposes;
7. The presumptive rental or lease value of real property assigned gratuitously or for an undetermined price.

Also deemed to pertain to the first category are profits obtained by lessees, in money or in kind, in respect of the subleasing of urban or rural real property.

ARTICLE 42. Rental Value.

It is by law presumed that the rental value of any urban real estate is not lower than that enacted by the National Sanitary Works General Administration or, in its absence, that enacted by the municipalities for the collection of lighting, sweeping, and street cleaning fees. In the absence of such indices, the rental value may be assessed by the Bureau.

In the cases of real estate in which the leasing, use, habitation or antichresis is assigned at a price lower than the rental rates ruling in the zone on which the same is situated, the Bureau may assess the corresponding profits ex officio.

ARTICLE 43. Rental In Kind.

Those who receive rentals in kind shall declare as profit the value of the proceeds received, which is understood to be the value for which the proceeds would have been disposed of during the fiscal year, or failing that, their market price at the end thereof. In the latter case, the difference between the selling price and the said market price shall be computed as profit or loss in the year in which the sale is made.

ARTICLE 44. Gratuitous Transfer.

Taxpayers who gratuitously assign the bare ownership of real estate, retaining for themselves the right to the fruits of the land of whatever kind use or habitation thereof, must declare the profit derived from the enterprise, or the rental value, as applicable, without deducting any amount in respect of rents or leases, even if payment thereof has been stipulated.

CHAPTER II - SECOND CATEGORY PROFITS

INCOME FROM CAPITAL

ARTICLE 45. Income Included.

Insofar as it does not correspond to include them in Art. 49 of this Law, profits of the second category are:

1. Income derived from instruments, mortgage bonds, bonds, treasury bills, debentures, sureties, or credits in cash or privileged or notarized

documents, whether covered by public deed or not, and every amount derived from the investment of capital, whatever its denomination or form of payment;

2. Profits from the lease of chattels and rights, royalties, and periodical subsidies;

3. Annuities and the profits or participation in life assurance;

4. Net benefits from non-deductible contributions derived from compliance with the requirements of Retirement Insurance plans privately administered by entities subject to the control of the Superintendent of Insurance, provided they do not originate from personal labor.

5. Net redemptions from non-deductible contributions for terminating the Retirement Insurance plans referred to in the preceding item, except when the rules of article 101 shall be applicable.

6. Amounts received in payment of obligations to abstain from some action or for the abandonment or nonexercise of an activity. Nevertheless these profits shall be deemed to pertain to the third and fourth category, as the case may be, when the obligation is the non-exercise of a business, industry, profession, trade, or employment.

7. Share interest distributed by cooperative societies, except those of consumers. In the case of labor cooperatives, the provisions in clause (e) of Art. 79 shall be applicable.

8. Income which in the form of one or more payments is received in respect of the definite transfer of rights of goodwill, trademark, invention patents, royalties and such like even when the carrying out of such transactions is not habitual.

9. Dividends and profits in cash or in kind distributed by the companies included in art. 69 (a) to their shareholders or partners.

ARTICLE 46. Dividends.

Dividends, as well as distributions on shares derived from revaluations or accounting adjustments shall not be incorporated by the beneficiaries for the purposes of the determination of their net profit.

The profits that the companies included in the continuation of item 2) of letter a) of article 69 distribute to their members shall be given the same treatment.

ARTICLE 47. Royalties.

For the purpose of this Law, royalty is understood to be any recompense received in money or in kind, for the transfer of ownership, use, or possession of things, or for the assignment of rights, the amount of which is determined in relation to unit of production, sale, exploitation, etc. whatever may be the designation assigned.

ARTICLE 48. Presumed Interest.

When the rate of interest cannot be determined expressly, for the purposes of the tax it shall be presumed, unless there exists proof to the contrary, that all debt, whether the consequence of a loan, sale of real estate, etc. accrues a rate of interest no less than that fixed by the Bank of the Argentine Nation for commercial discounts, except that which corresponds to debts with legal updating, contracted or fixed judicially, in which case the current market rate of interest for the particular type of transactions shall be applied in accordance with that which is established in the regulations.

If the debt derives from sales of real estate on installment payments, the presumption established in the preceding paragraph shall govern without allowing proof to the contrary, even when it was expressly stipulated that the sale was made without computing interest.

CHAPTER III - THIRD CATEGORY PROFITS

PROFITS OF BUSINESSES AND CERTAIN AUXILIARIES OF COMMERCE

ARTICLE 49. Income Included.

Profits pertaining to the third category are:

1. Those obtained by the responsible parties included in Art. 69.
2. All those derived from any other class of companies formed in the country or sole proprietorships located therein;
3. Those derived from the activity of commission agent, auctioneer, consignee, and other auxiliaries of commerce not expressly included in the fourth category;
4. Those derived from lots for urbanization purposes; those derived from the building and disposal of realty under the regime of Law No. 13,512;
5. Other profits not included in other categories.

Recompense in money or in kind, travelling expenses etc. received in respect of the exercise of activities comprised in this article, insofar as they exceed the amounts that the Bureau judges reasonable in concept of the refund of expenses effected, are deemed to be profits pertaining to this category.

When the professional activity or trade referred to in Art. 79 is complemented by a commercial operation, or vice-versa (sanitarium, etc.), the total result obtained from the whole of those activities shall be deemed profits pertaining to the third category.

ARTICLE 50. Individual Business Profits.

The result of the taxable balance of sole proprietorships and of companies included in letter b) of Art. 49, shall be considered, as the case may be: completely assigned to the owner or distributed among the partners even when it has not been accredited in their private accounts.

The provisions contained in the preceding paragraph shall not be applied in respect to losses resulting from the disposal of shares or quotas and partnership participations which must be offset by the company or enterprise in the manner provided in the fifth paragraph of Art. 19.

The provisions contained in Arts. 69 to 71 shall be applied to the portion corresponding to the remaining companies and associations not included in this article.

ARTICLE 51. Gross Profit.

When the profits are derived from the disposal of floating assets, gross profit is understood to be the total of the net sales less the cost which shall be determined by application of the following articles.

Deemed to be net sales is the value resulting after deducting from the gross sales, the returns, allowances, discounts or other similar concepts, in accordance with market customs.

ARTICLE 52. Valuation of Inventories.

For the preparation of the tax return, the stock of floating assets - except real property - shall be computed in accordance with the following methods:

(a) Retail merchandise, raw materials and materials: At the cost of the last purchase made in the 2 months prior to the date of closing of the fiscal year. If purchases have not been made in said period, the cost of the last purchase made in the fiscal year shall be taken, up-dated as from the date of purchase to the date of close of the fiscal year.

If purchases were not made during the fiscal year, the tax value of the assets on the beginning inventory, updated from the beginning date to the closing date of the fiscal year, shall be taken.

(b) Manufactured products:

1. The value to consider shall be calculated on the basis of the price of the last sale carried out in the 2 months prior to the closing of the fiscal year, reduced by the amount of costs of selling and the net margin of profit contained in said price.

If no sales were carried out in the pre-cited period, the price of the last sale carried out less the selling costs and the margin of net profit contained in the price, shall be considered, updating the resulting amount between the date of sale and that of the close of the fiscal year.

When sales have not been made, the selling price for the taxpayer on the date of the close of the fiscal year, less the selling costs and the margin of net profit contained in said price must be considered.

2. When systems are kept which permit the determination of the cost of production of each part of products manufactured, the same method shall be utilized as established for the valuation of inventories of retail merchandise, considering the moment of completion of the manufacture of the goods as the date of purchase.

In these cases the assignment of raw materials and materials in process shall be carried out taking into account the method established for the valuation of inventories of said goods.

(c) Products in the process of manufacture: At the value of finished products, established in accordance with the preceding item, the percentage of finishing on the date of the closing of the fiscal year shall be applied to it.

(d) Farming:

1. Inventories of breeding establishments: At the cost estimated by annual revaluation.

2. Inventories of greenhouse establishments: At the market price for the taxpayer on the date of closing of the fiscal year in the market in which he customarily trades, less the selling costs, determined for each category of farm.

(e) Cereals, vegetable oils, fruits and other products of the earth, except forestry operations:

1. With known quotation: At the market price less selling costs on the date of closing of the fiscal year.

2. Without known quotation: At the selling price fixed by the taxpayer less selling costs on the date of closing of the fiscal year.

(f) Seeds: At the amount which results from up-dating each of the investments as from the date on which they were made up to the date of the closing of the fiscal year, or at the probable value of realization on this latter date when the requirements provided in art. 56 are fulfilled.

The inventories must list in a detailed manner the existence of each article with its respective unitary price.

Global deductions for general reserves set aside for hedging against price fluctuations or other contingencies shall not be permitted in the valuation of inventories.

For the purposes of up-dating provided in this article, the indices to apply are those mentioned in art. 89.

For the purposes of this law, shares of stock, certificates, bonds and other securities shall not be considered as floating assets and, consequently, shall be regulated by the specific rules which this law provides for such assets.

ARTICLE 53. Application.

For purposes of the application of the system of cost estimating for annual revaluation, the following shall be carried out:

(a) Cattle, sheep and hog farming, with exception of those indicated in letter c): The value of the most sold during the last 3 months of the fiscal year shall be taken as the base value of each species, which shall be equal to 60% of the weighted average price obtained for the sales of said category in that period.

If, in the period alluded to above, no sales of animals have taken place or the latter are not representative, the value to take as a base shall be that of the category of farm acquired in the greater quantity during the same period, which shall be given by 60% of the weighted average price paid for the purchases of said categories during the cited period.

If the provisions of the preceding paragraphs are not applicable, 60% of the weighted average price which was registered for the farm category most sold on the market in which the breeder customarily operates during the above-mentioned period shall be taken as base value.

In every case the value of the remaining categories shall be established by applying the indices of relation contained in the tables annexed to Law 23.079 to the determined base value;

(b) Other farms, with exception of those considered in letter c): The value for making the valuation - per head without distinction of categories - shall be equal for each species to 60% of the weighted average price which in the last 3 months of the fiscal year arose from their sales or purchases or, in the absence of both, from the transactions registered for the species in the market in which the breeder customarily operates;

(c) Bellies, it being understood by such those which fulfill said definition: That which results from applying the same coefficient utilized for the calculation of the adjustment for positive inflation to the value which the category to which the belly finally belongs at the beginning of the fiscal year shall be taken as the value of the valuation.

(d) The system of valuation applied to bellies may be employed for livestock bred for all farm production when the total productive cycle is

carried out in establishments located outside the central livestock zone defined by Resolutions J-478/62 and J-315/68 of the National Council of Meat.

Final inventories of the fiscal year in which the activity was begun shall be valued in accordance with the procedure which the regulation shall establish as a function of the purchases of the same.

ARTICLE 54. Merchandise of an Agricultural Establishment.

For the purposes of this tax, the entire farm shall be deemed to be merchandise - whatever its category - of an agricultural establishment.

However, for the purposes of the provisions of Art. 84, the treatment of fixed assets shall be granted to the purchases of reproducing stock, including females, when they are of pedigree or pure through cross breeding.

ARTICLE 55. Real Property.

In order to make up the tax return, inventories of real property and works under construction which have the nature of floating assets must be computed by the amounts which shall be determined in accordance with the following rules:

(a) Real estate acquired: At the acquisition value - including costs necessary to make the transaction - updated from the date of purchase until the closing date of the fiscal year.

(b) Real estate constructed: At the value of the land, determined in accordance with the preceding item, adding the cost of construction up-dated from the date of finishing of the construction until the closing date of the fiscal year. The cost of construction shall be established up-dating the amounts invested in the construction, from the date on which they were made up to the date on which the construction was completed.

(c) Works in construction: At the value of the land, determined in accordance with item (a), adding the amount which results from up-dating the sums invested from the date on which the investment was made until the closing date of the fiscal year.

(d) Improvements: The value of the improvements shall be determined

by up-dating each one of the sums invested, from the date on which the investment was made until the date of completion of the improvements and the amount obtained shall be up-dated from this latter date until the closing date of the fiscal year. In the case of improvements in process, the investment shall be up-dated from the date on which they were made until the closing date of the fiscal year.

In cases in which any of the assets included in this article are sold or transferred, the cost to allocate shall be equal to the taxable value which was assigned to them in the beginning inventory corresponding to the fiscal year in which the sale was carried out. If investments have been made from the beginning of the fiscal year up to the date of the sale, their amount shall be added, without up-dating, to the pre-cited cost.

For the purposes of the up-dating provided in this article, the indices to apply shall be those mentioned in art. 89.

ARTICLE 56. Market Value of Inventories.

For the purposes of the valuation of inventories of floating assets, when it can be proved in a trustworthy manner that the market cost of the assets, on the closing date of the fiscal year, is less than the amount determined in accordance with that which is established in arts. 52 and 55, the market cost may be assigned to those assets, based on the value which the vouchers furnish. In order to make use of this option, the methodology employed for the determination of the market cost must be reported to the Bureau upon the filing of the sworn declaration corresponding to the fiscal year in which said cost was employed for the valuation of the referred inventories.

ARTICLE 57. Withdrawal of Merchandise for Personal Use.

When the taxpayer withdraws for his personal use or for that of his family, or allocates merchandise of his business to activities, the results of which are not subject to the tax (recreation, study, donations to persons or entities not exempt, etc.), it shall be deemed for purposes of this tax that such withdrawals are made at the same price as that prevailing in transactions for a consideration to third parties.

The same treatment shall apply to the transaction effected by a partnership for or against its partners.

ARTICLE 58. Depreciable Movable Assets.

When the profits are derived from the disposal of depreciable movable assets, the gross shall be determined by deducting the computable cost established in accordance with the rules of this article from the sale price:

(a) Assets acquired: From the acquisition cost, up-dated from the date of purchase up to the date of sale, shall be subtracted the amount of the ordinary depreciation, calculated on the up-dated value, in accordance with that which is provided in No. 1 of art. 84, relative to the periods of useful life elapsed or, in its case, the depreciation applied by virtue of special rules.

(b) Assets manufactured, built or constructed: The cost of manufacturing, building or construction shall be determined by up-dating each one of the sums invested from the date of investment up to the date of completion of the manufacture, building or construction. From the amount so obtained, up-dated from this latter date up to the date of sale, shall be subtracted the depreciation calculated in the manner provided in the preceding item.

(c) Floating assets which are used as fixed assets: The same procedure established in item a) shall be employed, considering as acquisition value the taxable value which was assigned to the floating asset in the beginning inventory corresponding to the period in which the asset was put into use, and considering the date of purchase as that of the beginning of the fiscal

year. When assets not included in the beginning inventory are used, the value of acquisition shall be deemed to be the cost of the first purchased in the fiscal year, in which case the up-dating shall be applied from the date of the referred purchase.

Subjects who must make the adjustment for inflation established in Title VI, shall up-date the costs of acquisition, manufacture, investment or use up to the closing date of the fiscal year preceding that in which the sale was carried out in order to determine the computable cost. Likewise, when assets which have been acquired in the same fiscal year as that corresponding to the date of sale, for the purposes of the determination of the computable cost, the purchase value of the mentioned assets must not be up-dated.

For the purposes of the up-dating to which this article refers, the indices mentioned in art. 89 shall be applied.

ARTICLE 59. Real Property.

When real property which does not have the nature of floating assets is sold, the gross profit shall be determined by deducting the computable cost resulting from the application of the rules of this article from the selling price:

(a) Acquired real estate: The cost of acquisition - including the necessary expenses to carry out the transaction - up-dated from the date of purchase up to the date of sale.

(b) Real estate constructed: The cost of construction shall be established by up-dating each one of the investments from the date on which the investment was made up to the date of completion of the construction.

To the value of the land determined in accordance with item a), shall be added the cost of construction up-dated as from the date of completion of construction up to the date of sale.

(c) Works in construction: The value of the land determined in accordance with item a), plus the amount resulting from up-dating each of the investments from the date on which they were made up to the date of sale.

If improvements have been made on the assets sold, their value shall be established by up-dating the sums invested as from the date of investment up to the date of completion of the improvements, computing said value as cost, up-dated from the date of completion up to the date of sale. In the case of improvements in process, the cost shall be established by up-dating the investments as from the date on which they were made up to the date of sale of the asset.

In the cases in which the assets sold have been used in activities or investments which derive results covered by the tax on the amounts obtained in accordance with that which is established in the preceding paragraphs, the amount which results from applying the depreciation to which art. 83 refers shall be subtracted from them for the periods in which the assets have been used in said activities.

When the seller is a subject obligated to make the inflation adjustment established in Title VI, that which is provided in the penultimate paragraph of art. 58 shall be applied.

The up-dating provided in this article shall be made by applying the indices mentioned in art. 89.

ARTICLE 60. Intangible Assets.

When goodwill, trademarks, patents, concession rights and other similar assets are sold, the gross profit shall be established by deducting the cost of acquisition up-dated by means of the application of the indices mentioned in

art. 89 from the selling price as from the date of purchase up to the date of sale. The corresponding depreciation calculated on the up-dated value shall be deducted from the amount so obtained.

In the cases in which the seller is a subject who must make the inflation adjustment established in Title VI, that which is provided in the penultimate paragraph of art. 58 shall be applied.

ARTICLE 61. Shares, Quotas, Partnership Participations, Etc.

When shares, quotas or partnership participations, including shares of common investment funds, are sold, the gross profit shall be determined by deducting the cost of acquisition actualized by means of the application of the indices mentioned in art. 89 from the price of transfer, as from the date of acquisition up to the date of transfer. In the case of paid up shares of stock, their up-dated nominal value shall be taken as the cost of acquisition. For these purposes it shall be deemed, without admitting proof to the contrary, that the assets sold shall correspond to the oldest acquisitions of the same kind and quality.

In the cases in which shares of stock received as from October 11, 1985 shall be transferred, as well as exempt dividends or those not considered profits for the purposes of taxation, no cost shall be computed.

When the seller is a subject who must make the inflation adjustment established in Title VI, that which is provided in the penultimate paragraph of art. 58 shall be applied.

ARTICLE 62. Contracts or Advance Payments which Freeze Prices.

When contracts or advance payments on account which freeze a price have been delivered prior to the date of acquisition of the assets to which articles 58 to 61 refer, for the purposes of the determination of the cost of acquisition the up-dated amounts corresponding thereto shall be added, calculated by means of the application of the indices mentioned in art. 89, as from the date on which the agreement was made up to the date of acquisition.

ARTICLE 63. Public Certificates.

When public certificates, bonds and other securities are sold, the cost to allocate shall be equal to the taxable value which were assigned to them in the beginning inventory corresponding to the fiscal year in which the sale was made. If it is the case of acquisitions made in the fiscal year, the computable cost shall be the purchase price.

If applicable, it shall be deemed, without admitting proof to the contrary, that the assets sold correspond to the oldest acquisitions of the same kind and quality.

ARTICLE 64. Dividends.

Dividends, as well as distributions on shares derived from revaluations or accounting adjustments shall not be computable by their beneficiaries for the determination of their net profit.

Profits that the companies included in item 1 of letter a) of article 69, distribute to their partners shall have the same treatment.

For the purposes of the determination of the profit - with the limitations established in this Law - all the expenses that were necessary to obtain the profit shall be deducted, on condition that they had not been taken into account in the assessment of this tax.

ARTICLE 65. Other Assets.

When the profits are derived from the disposal of assets which are not floating

assets, real estate, depreciable chattels, intangible assets, public certificates, bonds and other securities, shares of stock, quotas or partnership participations or shares of common investment funds, the result shall be established by deducting the cost of acquisition, manufacture, construction and the amount of the improvements made from the value of the sale.

ARTICLE 66. Out of Service Assets.

When any depreciable asset, except real property, goes out of use, the taxpayer may opt between continuing to depreciate annually until the total extinction of the original value or allocate the resulting difference between the amount not yet depreciated and the selling price, in the tax return of the year in which it occurs.

Insofar as is pertinent, the norms of adjustment of the depreciation and the value of the assets contained in arts. 58 and 84 shall be applicable.

ARTICLE 67. Sale and Replacement.

In the case of replacement and disposal of a depreciable chattel, option may be made to allocate the profit of the disposal to the tax return or, in its absence, allocate the profit to the cost of the new asset, in which case the depreciation envisaged in Art. 84 should be made on the cost of the new asset, diminished in the amount of the profit allocated.

The said option shall also be applicable when the asset replaced is real property used in the exploitation as a fixed asset, provided that such use had, as a minimum, a life of two years at the moment of disposal, and to the extent which the amount obtained in the disposal is reinvested in the replacement assets or in other fixed assets in the exploitation.

The option to allocate the profit to the cost of the new asset shall only be in order when both transactions are made within the term of one year.

When, in accordance with the enactments of this Law or its regulations, there corresponds the imputation to the financial period of the profits opportunely allocated to the acquisition or construction of the asset or assets in replacement, the respective amounts should be up-dated, applying the up-dating index mentioned in art. 89, referring to the closing month of the fiscal period in which the profit involved was determined, in accordance with the table prepared by the Bureau of Taxation for the closing month of the fiscal period to which corresponds the imputation of the profit.

ARTICLE 68. Exchange Differences.

In order to record transactions in foreign currency, a uniform system must be followed and the exchange rates to be employed shall be those fixed in the regulations for each class of transactions. The exchange differences shall be determined through the annual revaluation of the unpaid balances and by those produced between the last valuation and the amount of the total or partial payment of the balances and they shall be allocated to the annual tax return.

CAPITAL COMPANIES. RATES. OTHER SUBJECTS INCLUDED.

ARTICLE 69. Rates.

Capital companies in respect of the taxable net profits, are subject to the following rates:

(a) At 33%:

1. Joint stock companies and companies limited by shares which are formed in the country, for the portion corresponding to the limited partners.

2. Limited liability companies, simple limited partnerships and the portion corresponding to the limited partners of of partnerships limited by shares, in all cases in which the companies are formed in the country.

3. Civil associations and foundations formed in the country insofar as they are not subject under this law to other tax treatment;
4. Mixed companies in respect of the part of the profits not exempt to tax;
5. The entities and organizations to which art. 1 of Law 22.016 refers, not included in the preceding items, insofar as another tax treatment by virtue of that which is established by art. 6 of said law does not apply.

The subjects mentioned in the above numerals shall be included in this subsection as from the date of the founding act or execution of the respective contract, as the case may be.

(b) At 33%: Commercial, industrial, agricultural, cattleraising, mining, or any other kind of establishment, organized in the form of a stable enterprise, belonging to associations, societies or enterprises, of whatever nature, formed abroad or to individuals residing abroad.

Companies formed in the country shall not be included in this subsection, without prejudice to the application of the provisions of Art. 14, its correlative and concurring provisions.

REVENUE FROM PRIVATE SECURITIES - WITHHOLDING TAX

ARTICLE 70. Withholding Taxes.

The following percentages shall be withheld as a single final payment on the unpaid balance at 90 days after the placement at the disposal of taxpayers of dividends, interest, income or other profits corresponding to private securities that have not been presented for conversion into unendorsable registered securities or stock indentures:

a) 10%: on unpaid balances derived from those placed at the disposal of taxpayers that are produced during the first 12 months immediately subsequent to the expiration of the period that the Executive Power shall establish for the conversion of private bearer securities into registered non-endorsable securities or into stock indentures.

b) 20%: on unpaid balances derived from those placed at the disposal of taxpayers that are produced during the second 12 months immediately subsequent to the date indicated in clause a).

c) 33%: on balances derived from those placed at the disposal of taxpayers that are produced subsequent to the end of the period indicated in clause b).

In the case of payments in kind, including paid up shares of stock, the ingress of the withholdings indicated shall be made by the payor company or agent, without prejudice to their right to demand payment on the part of the beneficiaries thereof and to defer the delivery of the assets until the payment has been made, that which is provided in the following article and in the last part of this article being applied when applicable.

The withholdings to which this article refers shall not have the nature of a single final payment, except in the case of dividends, in the case of beneficiaries who are taxpayers included in Title VI.

ARTICLE 71. Withholding Tax on Unconverted Private Securities.

When in violation of the provisions of article 7 of the Law of Registration of Private Securities, payments made that are allocable to the exercise of ownership rights inherent in private securities that have not been converted in accordance with the aforementioned legal rule, must have the tax withheld at the rate of 33% of the gross amount of such payments, the withholding of which shall be a single final payment.

Likewise, anyone who makes the payment unduly must pay in the amount resulting

from applying the proportion established for unsupported expenditures provided in article 37 of this Law.

ARTICLE 72. Dividends in Kind.

When the accrediting of dividends or the distribution of profits, in kind, causes a difference between the current market value on that date and its taxable cost relative to all the assets distributed under those conditions, the same shall be considered a result covered by this tax and must be included in the tax return of the entity corresponding to the fiscal year in which the dividend was credited or distributed.

ARTICLE 73. Presumed Interest.

For every disposal of funds or assets effected in favor of third parties on the part of the subjects included in art. 49, item a), which does not correspond to transactions carried out in the interest of the enterprise, a taxable profit equivalent to compound interest not less than that established by the Bank of the Argentine Nation for commercial discounts or up-dating equal to the variation of the wholesale price index, general level, or interest of 8% per year, whichever is higher, shall be presumed, without admitting proof to the contrary.

The preceding provisions shall not be applied to deliveries which the companies included in item 1) of letter a) of article 69 make to their partners.

Neither shall they be applied in the case of the treatment provided in paragraphs 3 and 4 of art. 14.

CONSTRUCTION ENTERPRISES

ARTICLE 74. Construction Enterprises.

In the case of constructions, reconstructions and repairs of any nature on behalf of third parties, in which the profit producing operations extend over more than one fiscal year, the gross results of the same must be declared, at the taxpayer's option, in accordance with one of the following methods:

(a) Assigning to each fiscal period the gross profit resulting from applying on the amounts collected, the percentage of gross profit envisaged by the taxpayer for all the work.

The said coefficient may be modified in the part pertaining to tax years not yet declared in cases of an evident alteration of the circumstances envisaged when the work was contracted.

The percentages referred to above are subject to the approval of the Bureau;

(b) Assigning to each fiscal period the gross profit resulting from deducting from the amount to be collected for all the work done in the same, the expenditure and other elements determining the cost of such work.

When the determination of the profit in the manner indicated is not possible or involves difficulties, the gross profit pertaining to the work done may be calculated, following a procedure analogous to that indicated in clause (a).

In the case of work extending over 2 fiscal periods, the total duration of which does not exceed one year, the results may be declared in the fiscal year in which the work is concluded.

The Bureau, if it deems it justifiable, may authorize the same treatment for work delayed for more than one year, when such delay is caused by special circumstances (strike, material failure, etc.).

In the cases covered by clauses (a) and (b) the surplus of deficit finally obtained, resulting from the comparison of the final gross profit obtained for all the work with that obtained through applying any one of the procedures

mentioned in the said clauses, must be included in the year in which the work is completed.

Once one of the methods has been chosen, it shall be applied to all the construction work, etc. carried out by the taxpayer and shall not be changed without prior express authorization of the Bureau, who shall determine as from which future fiscal period the method may be changed.

MINES, QUARRIES AND FORESTS

ARTICLE 75. Deduction for Depletion.

The tax value of the mines, quarries, forests and analogous assets shall be the part of the cost attributable to the same, plus, in its case, the expenses incurred in obtaining the concession.

When the exploitation of such assets proceeds in a manner that implies a consumption of the substance productive of the income, a deduction, proportional to the exhaustion of the said substances, calculated in accordance with the units extracted, shall be admitted. The regulations may provide updating indices applicable to such a deduction, taking into consideration the characteristics and nature of the activities referred to in this article,

The Bureau may authorize other systems for the purpose of considering said depletion, provided that they are technically justified.

ARTICLE 76. Presumed Profit from Forestry.

When, from the taxpayer's records, it is not feasible to determine the gross profit on the exploitation of natural forests, the Bureau shall fix the coefficients of gross profit applicable.

REORGANIZATION OF COMPANIES

ARTICLE 77. Concept.

When companies, commercial funds, and, in general, enterprises and/or operations of any nature are reorganized in the terms of this article, the results that may emerge as a consequence of the reorganization shall not be subject to the tax of this Law, provided the continuing entity or entities continue, during a period of not less than 2 years from the date of the reorganization, the activity of the restructured enterprises or other linked to the same.

In such cases the fiscal rights and obligations enacted in the following article, pertaining to the entities being reorganized shall be transferred to the continuing entity or entities.

The change of activity before the lapse indicated shall have the effect of a resolutive condition. The reorganization must be advised to the Bureau within the terms and conditions enacted by it.

In the case of non-compliance with the requirements established by this law or its regulating decree, the respective sworn declarations must be filed or corrected in order that the reorganization shall have the provided tax effects, applying the legal provisions which should have been applied if the operation had been carried out within the boundary of the present system, and the tax must be paid along with the up-dating sum which law 11.683 established, without prejudice to the interest and other accessory payments which might be due.

When the type of reorganization does not produce the total transfer of the reorganized enterprise, except in the case of scission, the transfer of the fiscal rights and obligations shall remain subject to the previous approval of the Bureau.

Understood as reorganized is:

1. The merger of preexisting enterprises through the formation of a third or through absorption of one of them;
2. The scission or division of an enterprise in one or more units which continue together the operations of the first;
3. The sales and transfers of an entity to another which, in spite of being juridically independent, form the same economic unit.

In the cases of other sales and transfers, the fiscal rights and obligations enacted in the following article shall not be transferred and when the transfer price assigned is higher than the current market price of the respective assets, the value to be considered for taxation shall be the said market price, the treatment given to the excess being that which this Law gives to the rubric goodwill.

ARTICLE 78. Transfer of Rights and Obligations.

The fiscal rights and obligations transferable to the continuing enterprise or enterprises, in the cases foreseen in the previous article are:

1. The accumulated tax losses not prescribed;
 2. The balances pending tax allocation, derived from adjustments for positive inflation;
 3. The balances of tax exemptions or special deductions not utilized by virtue of limitations in the amount computable in each fiscal period and that were transferable to future financial periods;
 4. The deferred charges which have not been deducted;
 5. The tax exemptions pending utilization to which the previous enterprise or enterprises were entitled, by virtue of resorting to special development regimes, insofar as the new enterprise or enterprises maintain the basic conditions taken into account in the granting of the benefit.
- For these purposes, the organization of application designated in the respective provision must be issued;
6. The tax valuation of the assets of use, floating assets and intangible assets, whatever by the value assigned for the purposes of the transfer;
 7. The reimbursements in the tax return as a consequence of the sale of the assets or reduction in stocks when use has been made of the exemptions or the tax revaluation of the assets has been made by the previous entities, in the cases in which the respective laws so provided;
 8. The systems of depreciation of assets of use or intangible assets;
 9. The methods of allocation of profits and expenditure to the fiscal year;
 10. The computation of the terms referred to in Art. 67 when the fiscal treatment depends on it;
 11. The systems of allocation of the provisions, the deduction of which is authorized by the Law.

If the transfer of the systems referred to in clauses 8, 9 and 11 of the present article, produces the utilization of different criteria or methods for similar situations in the new enterprise, the latter must opt in the first financial period for one or other of those followed by the previous enterprises, except when they refer to cases in which different treatments may be applied in one same enterprise or operation.

In order to use criteria or methods different from those of the previous enterprise or enterprises, the new enterprise must request prior authorization from the Bureau, provided the legal and regulatory provisions demand it.

CHAPTER IV. FOURTH CATEGORY PROFITS

INCOME FROM PERSONAL WORK

ARTICLE 79. Income Included.

The following are profits of the fourth category:

- (a) The discharge of public office and the receipt of diplomatic expenses;
- (b) Personal labor performed for an employer;
- (c) Superannuations, pensions, retirements, or subsidies of any nature insofar as they originate in personal labor and that of the directors of cooperative societies;
- (d) Net benefits from non-deductible contributions, derived from the compliance with the requirements of Retirement Insurance plans privately administered by entities subject to the control of the Superintendent of Insurance, provided that their origin is from personal labor.
- (e) Personal services rendered by the members of cooperative societies referred to in the last part of clause (g) of Art. 45, who personally work in the enterprise, including the return received by them;
- (f) The exercise of liberal professions and trades and the functions of an executor of a will, syndic, mandate, business negotiator, director of joint stock companies and fideicommissary.

Also deemed to be profits of this category are the sums assigned in accordance with that which is provided in item j) of article 87 to administrative partners of limited liability companies, simple limited partnerships and partnerships limited by shares.

(g) Those derived from the activities of broker, travelling salesman, and custom house agent.

Also deemed to be profits from this category are compensations in cash and in kind, travel expenses, etc., received for performing the activities included in this article, insofar as they do not exceed the sums that the Bureau deems reasonable for the reimbursement of expenses incurred.

TITLE III. DEDUCTIONS

ARTICLE 80. Generalities.

The expenditure which may be deducted under this law, with the express restrictions contained in the same, is that made for obtaining, maintaining and conserving profits subject to this tax and shall be deducted from the profits produced from the source of origin. When this expenditure is made for the purpose of obtaining, maintaining and conserving taxed and untaxed profits derived from different productive sources, the deductions shall be made from each of them in the respective part or proportion.

When necessary for practical reasons and provided the amount of the tax payable is not altered thereby, the total of one or more expenses may be deducted from one of the productive sources.

ARTICLE 81. General Deductions from All Categories of Income.

Subject to the limitations contained in this law, the following may be deducted from the profit of the fiscal year, whatever the source of the profits:

(a) Interest on debts, their respective up-dating for inflation and expenses incurred in the formation, renewal or cancellation thereof;

In the case of individuals and undivided estates, the relationship of causality which article 80 provides shall be established in accordance with the principle of patrimonial affectation. By virtue of this, only the concepts to which the preceding paragraph refers shall be deductible when it can be demonstrated that the same originate from debts contracted for the acquisition of assets or services which shall be used in obtaining, maintaining or conservation of taxable profits. No deduction shall be taken in the case of taxable profits which, in accordance with the provisions of this law, are taxable by means of a sole and final withholding tax payment.

(b) Amounts paid by the assured for life assurance; in mixed assurance, except for Retirement Insurance privately administered by entities

subject to the control of the Superintendent of Insurance, only the part of the premium covering the risk of death shall be deductible.

The maximum amount to be deducted for the concepts indicated in this letter is \$0.04 per peso per year, regardless of whether a single premium is paid.

The surplus of the maximum amount mentioned previously shall be deductible in the years in which the insurance contract is in force, after the payment, until the total amount paid by the insured is covered, taking into account for each fiscal period the said maximum limit.

The amounts, the deferred deduction of which corresponds, shall be updated applying the inflation index mentioned in Art. 89 referring to the month of December of the fiscal period in which the expenditure was incurred, in accordance with the table prepared by the Bureau of Taxation for the month of December of the fiscal period in which the deduction should be made.

(c) Donations to national, provincial and municipal treasuries and institutions included in clause (e) of Article 20, made under the conditions determined in the regulations, up to the limit of 5% of the net profit of the financial period. The regulations shall enact likewise the procedure to be followed when the donations are made by partnerships.

The preceding provision shall also be applied to the institutions included in clause f) of the cited article 20, whose principal objective is:

1. Carrying out the work of charitable medical assistance without purposes of profit (non-profit institutions), including activities of care and protection of children, the aged, the poor and the handicapped.
2. Scientific investigation and technology, even though intended for academic or educational activities, and the investigators and the supporting staff participating in the corresponding programs have a certification of qualification in respect to the research programs extended by the Secretariat of Science and Technology subordinate to the Ministry of Culture and Education.
3. Scientific investigations on economic, political and social questions oriented towards the development of the plans of political parties.
4. Systematic educational activity and the scale for the granting of certificates officially recognized by the Ministry of Culture and Education, as well as the promotion of cultural values, by means of the sponsorship, subsidy, designation or maintenance of gratuitous courses given in public or private educational establishments recognized by the Ministries of Education or similar branches of the respective jurisdictions.

(d) Contributions or discounts for superannuation funds, retirement funds, pensions or subsidies, provided they are made to national, provincial or municipal funds;

(e) Contributions to retirement insurance plans privately administered by entities subject to the control of the Superintendent of Insurance, and to pension and retirement plans authorized by the National Institute of Cooperative and Mutual Action, up to the sum of \$0.30 per peso per year.

The amount established in the preceding paragraph shall be up-dated annually by the General Tax Directorate, applying the up-dating index mentioned in article 89, with reference to the month of December, 1987, in accordance with that which is indicated in the table drawn up by said bureau for the month of December of the fiscal period in which the deduction will be taken.

(f) The amortisation of intangible assets of limited duration, such as patents, concessions or similar assets.

(g) The obligatory discounts effected for contributions to social

works corresponding to the taxpayer and to the persons whom he supports as family dependents.

Likewise the amounts paid for quotas or subscriptions to institutions which furnish medical assistance coverage to the taxpayer and to the persons whom he supports as family dependents shall be deductible. Said deduction may not exceed 15% of the amounts which, in accordance with that which is established by items (a) and (b) of article 23, are taxable.

SPECIAL DEDUCTIONS OF THE FIRST, SECOND, THIRD AND FOURTH CATEGORIES

ARTICLE 82. Special Deductions.

From the profits of the first, second, third and fourth categories, within the limitations of this law, there may also be deducted:

- (a) Taxes and duties levied on the assets which produce profits;
- (b) Insurance premiums covering risks on assets that produce profits;
- (c) Extraordinary losses sustained fortuitously or by force majeure on the assets that produce profits, such as fires, tempests or other accidents or hazards insofar as they are not covered by insurance or indemnification;
- (d) Losses duly proved in the judgment of the Bureau, derived from crimes committed against the operational assets of the taxpayers by their employees, insofar as they are not covered by insurance or indemnification;
- (e) Travelling expenses, per diem and other similar compensation up to the sum recognized by the Bureau;
- (f) Depreciation for wear and tear and depletion and the losses due to obsolescence, in accordance with the enactments of the pertinent articles, except those included in clause 1) of article 88.

In the cases of clauses (c) and (d), the regulatory decree shall fix the incidence that the deductions made have on the cost of the asset.

ARTICLE 83. Depreciation of Real Estate.

In respect of the depreciation of buildings and other constructions on real property used in activities or investments from which taxable results are derived, except floating assets, a deduction of 2% per year on the cost of the building or construction or on the part of the acquisition value attributable to the same shall be allowable, taking into account the relation existing between the fiscal valuation or, in its absence, according to the appraisal made for this purpose, until the said cost or value has been exhausted.

For the purposes of calculation of the depreciation to which the preceding paragraph refers, the same must be done from the beginning of the quarter of the fiscal or calendar year in which the appropriation of the asset has been produced, up to the quarter in which the value of the assets are exhausted or up to the quarter immediately preceding that in which the assets shall be sold or the activity or investment discontinued.

The resulting amount shall be adjusted in accordance with the procedure indicated in clause 2 of Art. 84.

The Bureau may allow the application of annual percentages in excess of 2% when it can be proved in a trustworthy manner that the useful life of the real estate is less than 50 years, and on condition that the Bureau is notified of that circumstance upon the filing of the sworn declaration corresponding to the first fiscal year in which they shall be applied.

ARTICLE 84. Depreciation of Chattels.

In concept of annual tax depreciation to compensate wear and tear of the assets - excepting real property - employed by the taxpayer to produce taxed profits, the deduction of the sum resulting in accordance with the following rules shall

be admitted:

1. The cost or value of acquisition of the assets shall be divided by a number equal to the years of probable useful life of the same. The Bureau may admit a different procedure when technical reasons justify it;

2. On the ordinary depreciation quota calculated in accordance with the provisions of the preceding clause, or on the depreciation quota calculated by the taxpayer in accordance with the special norms, shall be applied the updating index of Art. 89, referring to the date of acquisition or construction indicated in the table prepared by the Bureau of Taxation in respect of the month of the date of closing of the fiscal period in question. The amount so obtained shall be the annual deductible depreciation.

In the case of intangible depreciable assets, the sum to deduct shall be determined by applying the rules established in the preceding paragraph.

When assets imported for use as fixed assets are for an amount exceeding the wholesale price current in the place of origin, plus the expenses of transport and insurance to the Argentina Republic, there shall be deemed to exist, excepting proof to the contrary, an economic link between the importer in the Republic and the exporter abroad. In such cases the resulting difference shall not be depreciable or deductible in any manner for tax purposes.

For the purpose of determining the original value of the depreciable assets commission paid and/or credited to entities of the same economic unit, intermediaries in the purchase transaction, shall not be computable, unless an effective rendering of services for such purpose is proved. Nevertheless the total value in any case that corresponding to be admitted by application of the preceding provisions.

SPECIAL DEDUCTIONS OF THE FIRST CATEGORY

ARTICLE 85. First Category Special Deductions.

From profits included in the first category expenditures for the maintenance of real estate may also be deducted. For this purpose taxpayers must opt in the case of urban property for one of the following procedures:

- (a) Deduction of actual expenditure supported by vouchers;
- (b) Deduction of presumed expenditure, resulting from applying the coefficient of 5% on the gross income from the real property, a percentage covering maintenance expenditure of every nature (repairs, administration expenses, insurance premiums, etc.).

Once a procedure is adopted, it must be applied to all the real estate possessed by the taxpayer and may not be changed for a term of 5 years, counting from the first inclusive period in which the option is made.

The option referred to in this article cannot be made by those persons who, due to their nature, are required to keep books, or have administrators who must render an account of their administration. In such cases actual expenses, supported by vouchers, must be deducted.

For rural real estate the deduction shall be made in all cases following the procedure of actual verified expenditure.

SPECIAL DEDUCTIONS OF THE SECOND CATEGORY

ARTICLE 86. Second Category Special Deductions.

Beneficiaries of royalties resident in the country may effect the following deductions as applicable:

- (a) When royalties are derived from the final transfer of assets - whatever their nature - 25% of the sums received in such concept, until the recuperation of the capital invested, being applicable to this effect the

provisions of Arts. 58 to 63, 65 and 75 according to the nature of the asset transferred;

(b) When the royalties are derived from the temporary transfer of assets which suffer wear and tear or depletion, the deduction of the amount resulting from the application of the provisions of Arts. 75, 83, or 84 according to the nature of the asset transferred, shall be admitted.

The foregoing deductions shall be in order insofar as costs and expenditure incurred in the country are involved. In the case of costs and expenses incurred abroad, 40% of the royalties received shall be admitted as sole deduction in every concept (recovery or amortization of the cost, expenses incurred in the receipt of the profit, maintenance, etc.).

The preceding norms shall not apply when beneficiaries resident in the country are involved who habitually exercise investigative, experimental, etc., activities, intended to obtain assets susceptible of producing royalties, and who shall determine the profit applying the norms governing the third category.

SPECIAL DEDUCTIONS OF THE THIRD CATEGORY

ARTICLE 87. Third Category Special Deductions.

From the profits of the third category, within the limitations of this law, the following may also be deducted:

(a) Expenses and other disbursements inherent in the operation of the business;

(b) Write-offs and provisions for bad debts in justifiable amounts, in accordance with the usage and customs of the trade. The Bureau may enact rules regarding the manner of writing off bad debts;

(c) Expenses of formation. The Bureau shall admit their allocation to the first financial year, or their amortization during a period not exceeding 5 years, at the taxpayer's option.

(d) The amounts which insurance, capitalization, and similar companies set aside for actuarial reserves, and reserves for current risks, and the like in accordance with the rules enacted in this respect by the Superintendent of Insurance, or other official department.

In all cases the provisions for technical reserves pertaining to the preceding year, not used for the payment of losses, shall be deemed profit and must be included in the net taxable profit of the year;

(e) Commissions and expenses incurred abroad indicated in Art. 8, insofar as they are fair and reasonable;

(f) In respect of reserves for dismissal indemnities according to seniority, the application of whichever system mentioned in the two following subclauses the taxpayer opts for, shall be admitted. To the fund so formed shall be allocated the indemnities actually paid according to seniority in the case of dismissals:

1. The amount resulting from the application on the remuneration paid during the financial period to the staff actively engaged at the close thereof, the percentage representing the actual indemnities according to seniority paid in the last three financial periods on the total remuneration paid;

2. A percentage to be fixed by the Executive Power not exceeding 2% to be applied on the total remuneration paid during the financial period to the staff actively in service at the close of same;

(g) Expenditure or contributions made in favor of the personnel in respect of health, educational and cultural aid, subsidies to athletic clubs and generally, all expenditures incurred for the assistance of employees, clerks or workmen. Gratuities, bonuses, etc. paid to personnel within the term in which, according to the regulation, the sworn declaration pertaining to the financial year must be submitted, shall also be deducted.

The Bureau may impugn the part of the perquisites, gratuities, bonuses, etc. which exceeds that usually paid for such services, taking into account the work performed by the beneficiary, the importance of the enterprise, and other factors that may influence the amount of the remuneration;

(h) Contributions of employers made to private retirement insurance plans administered by entities subject to the control of the Superintendent of Insurance and to retirement and pension plans of mutual funds registered and authorized by the National Institute of Cooperative and Mutual Action up to the sum of \$0.15 per Peso per year for each employee insured in relation to employment included in the retirement insurance or in the retirement and pension plans and funds.

The amount established in the preceding paragraph shall be up-dated annually by the General Tax Bureau, applying the up-dating index mentioned in article 89, with reference to the month of December, 1987, in accordance with the table drawn up by said bureau for each closing month of the fiscal period in which the deduction will be taken.

(i) Representation costs actually incurred and duly accredited up to the sums equivalent to 2% of the total amount of the remunerations paid in the fiscal year to the personnel in an employment relationship.

(j) Sums intended for the payment of directors' fees, trustees' fees or fees of members of auditing boards, and those granted to administrative partners - with the limitations established in this item - paid by taxpayers included in item a) of art. 69 .

In the case of directors' fees and fees of members of boards of auditors and remunerations of administrative partners for their performance as such, the sums to deduct may not exceed 25% of the accounting profits of the fiscal year, or up to the amount which results from computing \$12,500 Pesos for each person receiving said fees, whichever is higher, provided that they are assigned within the period provided for the filing of the annual sworn declaration of the fiscal year for which they were paid. In case the fees provided in this item are assigned after that period, the amount which results as computable in accordance with that which is provided above shall be deductible in the fiscal year in which it was assigned.

The sums which exceed the limit indicated shall be treated as not computable for the determination of the tax in the hands of the beneficiaries.

The reserves and provisions allowed to be deducted by this Law from the taxable balance shall be subject to the tax in the fiscal year in which the risks that they covered are annulled (reserve for dismissals, etc.).

UNALLOWABLE DEDUCTIONS

ARTICLE 88. Unallowable Deductions.

The following, irrespective of categories, shall not be deductible:

(a) Personal and living expenses of the taxpayer and of his family, except as provided in Art. 22 and 23;

(b) Interest on capital invested by the owner or partner of enterprises included in art. 49 (b), as well as sums withdrawn on account of profits or for wages and any other item which could be construed as a withdrawal of profits.

For the purposes of the tax return, the sums which were deducted for the items included in the preceding paragraph must be added back to the share in the results of the owner or partner, as applicable.

(c) Remuneration or salary of the taxpayer's spouse or relative of the taxpayer. When an actual rendering of services is proved, a deduction of the remuneration paid, up to an amount not exceeding the remuneration usually paid

to third parties for such services may be allowed, provided it does not exceed that paid to the highest category employee not a relative unless otherwise authorized by the Bureau;

(d) Tax pertaining to this law and any tax on vacant plots and unexploited land;

(e) Remuneration or salaries paid to members of boards, councils or other organizations acting abroad and the fees and other remuneration paid for technical financial consultations or other services rendered from abroad, in respect of the amounts fixed in the regulations;

(f) Amounts invested in the acquisition of assets and in permanent improvements and other expenses connected with these transactions excepting the inheritance and gift tax. Such expenditure forms part of the cost of the asset for the purposes of this law;

(g) Profits of the financial year set aside for the increase of capital or for reserves of the enterprise, the deduction of which is not expressly allowed by this law;

(h) Amortization of goodwill, trademarks and similar assets;

(i) Donations not covered by clause (c) of Art. 81, food allowances, nor any other act of generosity in money or in kind;

(j) Net losses proceeding from illegal transactions;

(k) Profits which joint stock companies must reserve in order to form the legal reserve fund.

(l) (Amended by Law 24885 of Nov. 11, 1997, effective Jan. 1, 1998) Amortization and losses for obsolescence to which clause f) of article 82 refers in the case of automobiles, their rental (including rents derived from leasing contracts), to the extent that they exceed that which could be deducted in relation to automobiles whose cost of acquisition, importation or market value, if they are of one's own production or leasing with option to buy, is over the sum of \$20,000 - net of value added tax - at the time of their purchase, customs clearance, financing or of the signing of the respective contract, as the case may be.

Neither shall costs of fuel, lubricants, licences, insurance, ordinary repairs and in general all the costs of maintenance and functioning of automobiles that are not floating assets be deductible, insofar as they exceed the global sum that shall be established annually by the Bureau for each unit.

The provisions of this clause shall not be applied in respect to automobiles whose operation constitutes the principal objective of the taxable activity (renting, taxi service, dispatches, commercial travellers, and similar activities).

UP-DATING INDEX

ARTICLE 89. Up-Dating Index.

The updating provided in this law shall be effected on the basis of the variations of the wholesale price index, general level, supplied by the National Institute of Statistics and Census. The respective table which must be prepared monthly by the Bureau, shall contain monthly values for the 24 immediately preceding months, average quarterly values by calendar quarters as from January 1, 1975, and average yearly values for the other periods and shall take as their basis the price index of the month for which the table is prepared.

For the purposes of the application of the updating to which this article refers, they must be made pursuant to the provisions in article 39 of Law No. 24.073.

TITLE IV. TAX RATES FOR PHYSICAL PERSONS AND UNDISTRIBUTED ESTATES

ARTICLE 90. Rates.

Individuals and undistributed estates while there exists no declaration of

inheritance or probated will serving the same purpose shall pay on the net taxable profits the sums resulting in accordance with the following scale:

Net Taxable Accumulated Profit	Tax Payable
From \$To Plus On excess of \$	
010,000---	6%---
10,00020,000	6%10,000
20,00030,000	1,6001420,000
30,00060,000	3,0001830,000
60,00090,000	8,4002360,000
90,000120,000	15,3002890,000
120,000and over	23,70033120,000

TITLE V. BENEFICIARIES ABROAD

ARTICLE 91. Rates of Withholding Tax.

When net profits pertaining to any category are paid to companies, enterprises or to any other beneficiary abroad with the exception of dividends and profits of the companies to which item 2 of letter a) of Article 69 refers, as well as the profits of the establishments included in letter b) of the same article, whoever pays them must withhold and pay to the Tax Bureau, as sole and final payment, 33% of such profits.

It shall be deemed that payment exists when one of the situations envisaged in the last paragraph of Article 18 exists, unless a share in the profits of companies comprised in clause (b) of Art. 49 is involved, in which case the provisions of Article 50 shall be applicable.

In these cases the withholding shall be made at the expiration date for the submission of the tax return, applying the rate of 33% on the total profits which, in accordance with that which is established in art. 50, must be deemed distributed to the partners who are beneficiaries abroad. If, between the closing date of the fiscal year and that indicated above, the payment has been totally or partially configured in the terms of art. 18, the withholding indicated shall be made on the date of the payment.

Deemed to be beneficiary abroad is he who received his profits abroad, directly or through attorneys, agents, representatives or any other mandate in the country and he who, receiving them in the country, does not declare a stable residence in the same. In the cases in which impossibility to withhold exists, the paying entity is responsible for the ingress referred to, irrespective of its right to demand reimbursement from the beneficiaries.

ARTICLE 92. Rates of Tax on Presumed Net Profits.

Except in the case considered in the third paragraph of art. 91, the withholding provided therein shall be established by applying the rate of 33% on the net profit presumed by this law for the type of profit in question.

ARTICLE 93. Presumed Net Profits.

When payments are made to beneficiaries abroad in respect of the concepts indicated as follows, net profits shall be presumed, without admitting proof to the contrary:

(a) In the case of contracts duly complying with the requirements of the Law of Transfer of Technology at the time in which the payments are made:

(1) 60% of the amounts paid for services of technical assistance, engineering or consultation which are not obtainable in the country in the judgment of the competent authority in the matter of transference of technology, provided that they are duly registered and have been actually rendered.

(2) 80% of the amounts paid for loans derived in

transfer of rights or licenses for the exploitation of invention patents and other objects not comprised in point (1) of this item.

(3) 90% of amounts paid for loans mentioned in points (1) and (2) above which do not duly comply with the requirements demanded by the Law of Transference of Technology.

In the case in which, by virtue of the same contract, payments to which different percentages correspond would apply, in accordance with points 1 and 2 above, the higher percentage shall be applied.

(b) 35% of the amounts paid when the exploitation in the country of authors' copyrights is involved, provided that the respective works are duly inscribed in the National Administration of Authors' Copyright, and that the profits derive from the cases provided by letter j) of art. 20, and that the requirements provided in the same are fulfilled; the same presumption shall rule in the case of sums paid to artists resident abroad contracted by the State national, provincial or municipal or by the institutions comprised in clauses (e), (f) and (g) of Art. 20, in order to act in the country for a period of up to two months in the fiscal year.

(c) 40% of the interest paid for credits of any origin or nature obtained abroad.

(d) 70% of the sums paid for wages, fees and other remunerations to persons who temporarily act in the country as intellectuals, technicians, professionals, artists not included in letter b), athletes and in other working capacities, when they do not stay in the country longer than 6 months in the fiscal year in order to complete their functions.

(e) 40% of the sums paid for the leasing of chattels effected by lessors resident abroad.

(f) 60% of sums paid for rental or leasing of real property located in the country.

(g) 50% of sums paid for the transfer of title for a consideration of assets situated, employed or economically utilized in the country, belonging to enterprises or companies constituted, seated or located abroad.

(h) 90% of sums paid for profits not provided in the preceding items.

Without prejudice to that which is provided in items f) and g), the beneficiaries of such concepts may choose, in order to determine the net profit subject to withholding, between the presumption provided in said items or the sum that results from deducting the expenses necessary for the obtainment, maintenance and conservation of gross profit paid or accredited, which are realized in the country, as well as the deductions which this law allows in accordance with the type of profit in question and those which have been expressly recognized by the Bureau.

The provisions of this article shall not be applied in the case of profits for which this law expressly provides a different manner of determination of the presumed profit.

TITLE VI. ADJUSTMENT FOR INFLATION

ARTICLE 94. Subject.

Without prejudice to the application of the remaining dispositions which this title does not modify, the subjects to which items a), b) and c) of art. 49 refer, for the purposes of determining the net taxable profit, must deduct or incorporate the adjustment for inflation which shall be obtained by the application of the rules of the following articles from or to the taxable result of the fiscal year in question.

ARTICLE 95. Calculation Procedure.

For the purposes of making the inflation adjustment to which the preceding article refers, the following procedure must be followed:

(a) From the total of the assets in accordance with the commercial balance sheet or, if applicable, the tax return, shall be deducted the amounts corresponding to all the concepts indicated below:

(1) Real property and work in process on buildings, except those which are of the nature of floating assets.
(2) Investments in materials for the works comprised in the preceding point.

(3) Depreciable chattels - including those which are depreciable reproducers - for the purposes of this law.

(4) Chattels in the process of manufacture which are intended as fixed assets.

(5) Intangible assets.

(6) In forestry operations, inventories of cut or standing wood.

(7) Shares, quotas and partnership participations, including shares of common investment funds.

(8) Investments abroad - including financial investments - which do not derive results from Argentina sources or which are not used in activities which generate results from Argentina sources.

(9) Non-depreciable chattels, except securities and floating assets.

(10) Credits which represent contracts or advance payments which freeze prices, effected prior to the acquisition of the assets included in points (1) to (9).

(11) Contributions and advance payments made on account of future payments of capital, when there exist duly documented or irrevocable promises of contributions for subscription of shares, with exception of those which accrue interest or up-dates under conditions similar to those which may be agreed between independent parties, taking normal market practices into account.

(12) Balances pending payments of the shareholders.

(13) Debt balances of the holder, owner or partners, which are derived from pending payments or from transactions effected under conditions other than those which may be agreed upon between independent parties, taking normal market practices into account.

(14) In local enterprises of foreign capital, the debt balances of a person or group of persons from abroad who participate, directly or indirectly, in their capital, control or direction, when such balances have originated in juridical acts which may not be considered as executed between independent parties, by reason of which their loans and conditions are not adjusted to normal market practices between independent parties.

(15) Costs of constitution, organization and/or re-organization of the enterprise and costs of development, study or investigation, to the extent they shall be deductible from the tax.

(16) Advance payments, withholdings and payments on account of taxes and costs that are not deductible for the purposes of this tax, which are recorded in assets.

When during the fiscal year of assessment, assets included in points 1 to 7 have been sold, the value which those assets held at the beginning of the fiscal year of assessment shall not make up amounts to deduct. The same treatment shall be given if said assets were delivered for any of the reasons to which points 1 to 4 of the first paragraph of letter d) refer.

In the cases in which during the fiscal year floating assets shall have been used as fixed assets, the taxable value which was assigned to those floating assets at the beginning of the fiscal year shall form a portion of the concepts to deduct from the assets.

b) The liabilities shall be deducted from the amount obtained by

application of letter a).

I. For these purposes the following shall be understood by "liabilities":

(1) Debts (provisions and reserves consigned thereto shall be those allowed by this law, and which shall be computed by the amounts which is authorized thereby).

(2) Profits received in advance and those which represent benefits to be received in future fiscal years.

(3) Amounts of fees and bonuses which, in accordance with that which is established in art. 87, were deducted in the fiscal year for which they were paid.

II. For the same purposes the following shall not be considered liabilities:

(1) Contributions or advance payments received on account of future capital payments when duly documented or irrevocable stock subscription promises of contributions exist, which in no case shall accrue interest or inflation corrections in favor of the contributor.

(2) Credit balances of the holder, owner or partners, which derive from transactions of any origin or nature, effected under conditions different from those which might have been agreed between independent parties, taking into account the normal market practices.

(3) In local enterprises of foreign capital, the credit balances of a foreign person or group of persons who participate, directly or indirectly, in its capital, control or management, when those balances originated in juridical acts which cannot be considered as executed between independent parties, by reason of which their loans and conditions are not adjusted to normal market practices between independent parties.

c) The amount which shall be obtained by virtue of that which is established in letters a) and b), shall be up-dated by means of the application of the wholesale price index, general level, prepared by the National Institute of Statistics and Census, taking into account the variation therein between the closing month of the preceding fiscal year and the closing month of the fiscal year of assessment. The difference in the value which shall be obtained as a consequence of the up-dating shall be considered:

(1) Negative adjustment: When the amount of the assets is greater than the amount of the liabilities, determined in accordance with the general rules of the law and the special rules of this Title.

(2) Positive adjustment: When the amount of the assets is less than the amount of the liabilities, determined in accordance with the general rules of the law and the special rules of this Title.

d) To the adjustment which results by application of letter c) shall be added or subtracted, as the case may be, the amount which shall be indicated in the following paragraphs:

I. As a positive adjustment, the amount of the up-dates calculated by applying the index of wholesale prices, general level, prepared by the National Institute of Statistics and Census, taking into account the variation between the month of the actual withdrawal, payment, acquisition, incorporation or disappropriation, as the case may be, and the closing month of the fiscal year of assessment, on the amounts of:

(1) Withdrawals of any origin or nature - including those allocable to special accounts - effected during the fiscal year by the holder, owner or partners, or of funds or assets disposed to third parties, except in the case of sums which accrue interest or up-dates or of amounts which arise from transactions carried out under conditions to those which might be agreed upon between independent parties in accordance with normal market practices.

(2) Dividends distributed, except on paid up

shares during the fiscal year.

(3) Those corresponding to actual capital reductions carried out during the fiscal year.

(4) The portion of fees paid during the fiscal year which is over the limits established in art. 87.

(5) Acquisitions or incorporations effected during the fiscal year of assessment, of assets included in points 1 to 10 of letter (a), whether used or not in activities which generate results from Argentine sources, insofar as they remain in the patrimony at the close of the year. Like treatment shall be given when the company acquires its own shares.

(6) Funds or assets not included in points 1 to 7, 9 and 10 of letter (a), when they are converted into investments to which point 8 of said letter refers, or when they are intended to be so converted.

II. As a negative adjustment, the amount of the up-dates calculated by application of the wholesale price index, general level, prepared by the National Institute of Statistics and Census, taking into account the variation between the month of contribution, sale or appropriation, as the case may be, and the closing month of the fiscal year of assessment, on the amounts of:

(1) Contributions of any origin or nature - including those allocable to special accounts - and of capital increases carried out during the fiscal year of assessment.

(2) Investments abroad, mentioned in point 8 of letter (a), when their appropriation to activities which generate results from Argentine sources shall be carried out, except in the case of assets of the nature of those included in points 1 to 7, 9 and 10 of letter (a).

(3) The taxable cost computable in the cases of sale of the assets mentioned in point 9 of letter (a), or when they shall be delivered for any of the concepts to which points 1 to 5 of the preceding paragraph refer.

(e) The amount determined in accordance with the preceding letter shall be the adjustment for inflation corresponding to the fiscal year and shall be charged as a positive adjustment, increasing the gain or decreasing the loss, or a negative adjustment decreasing the gain or increasing the loss in the results of the fiscal year in question.

ARTICLE 96. Valuation.

The values and concepts to compute for the purposes established in letters (a) and (b) of the preceding article - except those corresponding to the assets and debts excluded from the assets and liabilities, respectively, which are considered as values to be listed in the commercial balance sheet or, as the case may be, the tax return - shall be those which shall be determined at the close of the fiscal year immediately preceding that of assessment after adjusted by application of the general rules of the law and the special rules of this Title.

The assets and liabilities which are listed below shall be valued for all purposes of this Law by applying the following rules:

(a) Deposits, credits and debts in foreign currency and inventories of the same: In accordance with the last value of quotation - purchaser or seller rate, as the case may be - of the Bank of the Argentine Nation on the closing date of the fiscal year, including the amount of interest which shall have accrued up to said date;

(b) Deposits, credits and debts in national currency: For their value on the closing date of each fiscal year, which shall include the amount of interest and legal up-dating, judicially agreed upon or fixed, which shall have accrued up to said date;

(c) Public instruments, bonds and securities - excluding shares and

stocks of common investment funds - which are quoted on exchanges or markets: At the last value of quotation on the closing date of the fiscal year.

Those which are not quoted shall be valued by their incremented cost of the amount of the interest, up-dates and exchange differences which shall have accrued up to the closing date of the fiscal year. The same procedure of valuation shall be applied to securities issued in foreign currency;

(d) When the penultimate paragraph of letter (a) of the preceding article is applicable, said assets shall be valued at the value considered as taxable cost computable upon disposal in accordance with the pertinent rules of this Law;

(e) Debts which represent contracts or advance payments from clients which freeze prices on the date of their receipt: They must include the amount of the up-dates of each one of the sums received calculated by means of the application of the wholesale price index, general level, prepared by the National Institute of Statistics and Census, taking into account the variation therein between the month of receipt and the closing month of the fiscal year.

In order to establish the taxable balance of the beginning fiscal year, as well as that which must be established on December 31 of each year, by those taxpayers who do not draw up a formal commercial balance sheet, the norms established by the General Tax Bureau for such purpose shall be taken into account.

ARTICLE 97. Valuation.

Those who are responsible to make the inflation adjustment, in accordance with this title, shall likewise remain subject to the following dispositions:

(a) The exemptions established in letters (h), (k), (q) and (v) of art. 20 shall not be of application.

(b) The amount of the legal up-dating, judicially agreed upon or fixed, of credits, debits and securities - except stocks - must be allocated as gains or losses, as the case may be, of the fiscal year of assessment, in the portion thereof corresponding to the period included between the dates of the beginning of the fiscal year or those of origin or incorporation of the credits, debits or securities, if later, and the date of closing of the respective fiscal year. In the case of quoted securities, their respective quotation shall be considered. Likewise they must allocate the amount of the up-dates of the debits to which letter e) of the preceding article refers, in the portion which corresponds to the aforementioned period.

(c) The difference of value which results from comparing the quotation of foreign currency at the close of the fiscal year with that corresponding to the close of the preceding fiscal year or on the date of acquisition, if later, relative to the deposits, inventories, credits and debits in foreign currency, must be allocated as a gain or loss, as the case may be.

(d) When assets are sold for which contracts or advance payments have been received under the conditions provided in letter (e) of the preceding article, for the purposes of the determination of the result of the transaction, the amount of the up-dates to which the mentioned letter refers, calculated up to the closing month of the fiscal year immediately preceding that of the sale, shall be added to the selling price.

(e) In cases in which, in accordance with the rules of this law or of its regulatory decree, the option of allocating the results from installment sales transactions to fiscal years in which the respective installments are demandable, is exercised, and up-dates accrued in the fiscal year with respect to the balance of installments not yet due at the close thereof are correspondingly computed, deferment of the portion of the up-date which corresponds to the balance of deferred profits at the end of the fiscal year may be chosen.

(f) In forestry operations not included in the system of Law 21,695,

for the determination of the tax which may correspond for the sale of the product of their plantations, the computable cost may be up-dated by means of the application of the index provided in art. 89, referent to the date of the respective investment, in accordance with that which is indicated by the table drawn up by the Bureau for the month to which the date of the sale corresponds.

In the case of plantations included in the system of Decree 465 of February 8, 1974, the taxpayers may choose to apply the dispositions of the preceding paragraph, in which case they may not compute the amount which results from the valuations to which art. 4 of said decree refers.

ARTICLE 98. Special Exemptions

Total or partial exemptions established or which shall be established in the future by special laws in respect to instruments, bills, bonds and other securities issued by the National State, the provinces or municipalities, shall not be effective on this tax for the taxpayers to which letters a), b) and c) of article 49 refer.

TITLE VII. OTHER PROVISIONS

ARTICLE 99. Revocation of Special Exemptions.

All the dispositions contained in the national laws (general, special or statutory, except those of the Profits Tax Law, decrees or any other rule of a lower hierarchy, by means of which the total or partial exemption or the deduction of the taxable object of the profits tax shall be established, from the amount received by taxpayers included in clauses a), b) and c) of article 79 of the cited law, in respect of representation expenses, travel expenses, per diem, special bonuses, diplomatic expenses, occupational risks, technical coefficients, special or functional dedication, hierarchical or functional liability, moving expenses and any other compensation of a similar nature under whatever name assigned thereto shall be hereby revoked.

ARTICLE 100. Taxability of Social Benefits.

It is hereby clarified that the different concepts under social benefits and/or fuel values, extension or authorization of use of purchase and/or credit cards, housing, recreation or vacation trips, payments of education expenses of the family group or other similar concepts, which are granted by the employer or through third parties on behalf of their employees or personnel, shall be taxable by the profits tax, even though they are not of a remunerative nature for the purpose of contributions to the Integrated National System of Superannuations and Pensions or similar provincial or municipal systems.

Excluded from the provisions of the preceding paragraph shall be the provision of work clothes or any other item related to apparel or to the equipment of the workers for exclusive use in the work place and the granting or payment of training or specialization courses to the extent that they are indispensable to the fulfillment and development of the career of the employees or personnel within the enterprise.

ARTICLE 101. Private Retirement Insurance - Redemption.

In the case of Retirement Insurance plans privately administered by entities subject to the control of the Superintendent of Insurance, the amount derived from redemption by the beneficiary of the plan, whatever the cause, shall not be subject to this tax, to the extent that the redeemed amount shall be applied to contracting a new plan with entities acting within the system within 15 working days following the date of receipt of the redemption.

ARTICLE 102. Private Retirement Insurance - Net Taxable Benefit.

In the cases of benefits or redemptions to which items d) and e) of Art. 45 refer and item d) of article 79 of this law refer, the net taxable benefit shall be established by the difference between the benefits or redemptions received and the amounts which were not deducted for the purposes of the assessment of this tax as up-dated by applying the index mentioned in article 89, referred to

the month of December of the fiscal period in which the expense was incurred, in accordance with the table drawn up by the General Tax Bureau for the month of December of the fiscal period in which the benefits or redemptions were received.

In the case of payment of the benefit or redemption in the form of a periodical annuity a direct relationship between that which is received in each fiscal period shall be established with respect to the total to be received, and this proportion must be applied to the total amount which was not deducted, as up-dated in accordance with that which is indicated in the preceding paragraph; the difference between that which is received in each period and the proportion of contributions which were not deducted shall be the net taxable benefit of that period.

ARTICLE 103. Application, Receipt and Control of the Tax.

This assessment shall be regulated by the dispositions of law 11,683 (1978, as amended) and its application, collection and control shall be in the charge of the General Tax Bureau.

ARTICLE 104. Distribution of Proceeds from the Tax.

(Amended by Law 24919 of December 29, 1997, published December 31, 1997)

The proceeds of the tax collected by virtue of this law shall be destined:

- 1) 20% to the Social Security System, to attend to National Providential Obligations.
- 2) 10% up to an amount of \$650,000,000 annually, convertible in accordance with Law 23,928, to the province of Buenos Aires, proportioned monthly, which shall be incorporated into its co-participation, with the specific destination to works of a social nature, and excepted from that which is established in letter g) of article 9 of Law 23,548. The surplus of said amount shall be distributed among the remainder of the provinces, in a proportional amount monthly, in accordance with the proportions established in articles 3 and 4 of Law 23,548, including the Province of Tierra del Fuego, Antarctica and the South Atlantic Islands, in accordance with the provisions in force. The corresponding amounts must be drawn directly and automatically.
- 3) 2% to reinforce the special account 550 "Fund of Contribution of the National Treasury of the Provinces (Fondo de Aporte del Tesoro Nacional de las Provincias)".
- 4) 4% shall be distributed among all the provincial jurisdictions, excluding Buenos Aires, in accordance with the index of Unsatisfied Basic Necessities. The corresponding amounts must be drawn directly and automatically. The jurisdictions shall use the resources for basic social infrastructure works, being excepted from that which is established in letter g) of article 9 of Law 23,548.
- 5) The remaining 64% shall be distributed between the National and all the provincial jurisdictions in accordance with the dispositions of articles 3 and 4 of Law 23,548.

From the part that belongs to the National by letter a) of article 3 of Law 23,548, the provincial jurisdictions, excluding the province of Buenos Aires, shall receive a transfer of \$6,000,000 monthly during 1996. During 1997 that transfer from the National Government shall be raised to \$18,000,000 monthly, of which \$12,000,000 shall be taken from letter a) of article 3 of Law 23,548 and the remaining \$6,000,000 from letter c) of this article. Said amounts shall be distributed monthly as a function of the percentages established in articles 3 and 4 of Law 23,548, including the province of Tierra del Fuego, Antarctica and the Islands of the South Atlantic, in accordance with the provisions in force.

As from 1996, the provinces may not receive an amount less than that received

during 1995 in concept of the Federal Co-participation of Taxes in accordance with Law 23,548 and this amendment, as well as Fiscal Pacts I and II.

The System of Co-participation provided in the Sixth Clause of the Transitory Provisions of the National Constitution shall leave the distribution established in this article without effect.

In accordance with the provisions of article 5 of Law No. 24,699, from October 1, 1996 until December 31, 1999, both dates inclusive, from the proceeds from the profits tax, established in this article, the sum of \$580,000,000 per year shall be taken out in order to be allocated as follows:

a) The sum of \$120,000,000 per year for the Integrated

Superannuation and Pension System.

b) The sum of \$20,000,000 per year for reinforcement of Special Account 550 "Fund of Contributions of the National Treasury to the Provinces".

c) The sum of \$440,000,000 per year to the provinces to distribute among them in accordance with the proportions established in articles 3, item c), and 4 of Law No. 23.548, including the Province of Tierra del Fuego, Antarctica and the Islands of the South Atlantic pursuant to current provisions.

The sums that correspond to the provinces by virtue of the provisions in the preceding paragraph shall be paid monthly in the corresponding proportion.

The sums intended for the provinces, in accordance with the provisions of article 5 of aforementioned Law No. 24.699, must be drawn by the National regardless of the minimum guarantee of co-participation established in the Federal Pact of August 12, 1992 and in the Federal Pact for Employment, Production and Growth of August 12, 1993.

ARTICLE 105. Effective Date.

The provisions of this law, which shall rule until December 31, 1995, shall have the force which is indicated in each case by the norms which make them up.

TITLE VIII. TRANSITORY PROVISIONS

ARTICLE 106. Transition System.

The tax which this law creates shall take the place of the income tax, the tax on sales of securities and the capital gains tax, in this last case in the pertinent part.

Nevertheless, the norms of the substituted taxes shall apply in the determination of the income or profits covered by them when, by virtue of these they subject their effects to facts or circumstances configured after they have ceased to be in force but in accordance with their provisions.

Likewise, the said norms shall apply in the determination of the taxable matter covered by the tribute created by this law, when their effects are extended to future financial periods for such purposes, by way of rights or obligations derived from facts or circumstances configured while in force. In the same sense, the rights to deductions or to exemptions originating in facts or acts up to December 31, 1973, shall not be affected, so long, as the case may be, as the same maintain their effect up to the close of the annual financial period commenced in the said year.

For the purposes of the process of transition of the substituted taxes to the new, they who have been responsible for the said taxes, shall remain subject to all the obligations, including substantive ones, that are necessary to ensure the continuity of the regime replaced, provided that, with it, the principle

that no taxable matter common to the substituted tributes and the substitute, is covered by more than one of the taxes in question, is not harmed.

The Executive Power shall issue the regulatory provisions necessary to regulate the transition referred to in this article, on the bases of the substitutive character indicated and of the remaining principles indicated to that effect.

ARTICLE 107. Preferential Treatment Granted before May 25, 1973.

When in respect of regimes that have as an object sectional or regional development sanctioned prior to May 25, 1973, preferential treatment has been granted in regard to taxes which have been repealed, the Executive Power shall decide the scope the said treatment will have in respect of the tribute created by the present law, in order to assure acquired rights and, through this, the continuity of the programs approved before the sanction of the present law.

ARTICLE 108. Preferential Treatment.

When the regimes to which the previous article refers have been sanctioned after May 25th 1973, the Executive Power shall regulate the automatic application of such preferential treatment in regard to the tax of the present law.

The treatment provided for previously shall apply to the regime enacted in Law No. 19, 640.

ARTICLE 109. Exemptions, Interest and Negative Updates.

When the compensation provided by art. 20, antepenultimate paragraph, corresponds to interest and negative up-dating compensated, they shall not be deductible. If a negative balance results from that compensation and the pro-rating mentioned in art. 81, letter (a) shall proceed in this respect, the assets which are derived from interest and up-dated exempted assets shall be excluded for that purpose.

ARTICLE 110. Updating for Inflation.

For the purposes of the up-dating provided in art. 25, the amount established in art. 22 shall be considered in force on December 31, 1985.

ARTICLE 111. Disposal of Shares.

In cases of disposal of shares which are quoted on exchanges or markets - except paid up shares - acquired prior to the first fiscal year begun after October 11, 1985, the value of acquisition, as well as the date of acquisition, may optionally be considered as the quoted value at the close of the fiscal year immediately prior to the pre-cited fiscal year.

ARTICLE 112. Adjustment for Inflation.

The subjects included in letters (a), (b) and (c) of art. 49, for the determination of the inflation adjustment corresponding to the first fiscal year begun after October 11, 1985, must compute at the beginning of the fiscal year of assessment the concepts established in Title VI at the assigned values or those which should have been assigned at the close of the immediately preceding fiscal year, in accordance with the rules of valuation utilized for the determination of the inflation adjustment established by Law 21,894.

The provisions of the preceding paragraph shall not be applied to a farm considered as a floating asset, whatever its nature, which must be computed in accordance with that which is established in the third paragraph of point 9 of Art. 5 of Law 23,260, as amended by Art. 1 of Law No. 23,525.

ARTICLE 113. Limitation of Losses.

In every case without exception the deductible losses shall be those originated in the oldest period, with the ruling of the system which is applicable in accordance with the rules in force prior to the reform disposed by Law 23,260 applicable for that purpose and the provisions of the following articles.

ARTICLE 114. Losses Accumulated.

Losses accumulated in fiscal years closed prior to the date of entry into force of this article may not be deducted in the first two fiscal years which close as

from the cited date.

ARTICLE 115. Losses not Deductible.

A loss corresponding to the first fiscal year closing as from the date of enforcement of this article shall not be deductible in the following fiscal year and the computation of the period of 5 years provided in article 19, commencing as from the second fiscal year closed, inclusive, up to that in which the loss was produced.

ARTICLE 116. Unlimited Deduction of Certain Losses.

The losses mentioned in article 114, which should not have been deducted as a consequence of the suspension disposed by said rule or which are deferred for the purpose of the 50% limitation provided in the preceding article, may be deducted, without time limitation, until their exhaustion. Said deduction shall proceed provided that the suspension or the limitation, not having existed in the computation of the losses, the same should have been absorbed within the periods provided in article 19, as the case may be.

ARTICLE 117. Calculation of Advanced Payments.

Subjects who close their fiscal year up to January 27, 1988, shall calculate the advance payments not due corresponding to the following fiscal year, on the basis of the net taxable profit of the preceding period without deducting the accumulated losses, if the latter exist.

ARTICLE 118. Losses Derived from Certain Sales.

The provisions of articles 114 and 115 shall not be applied to losses derived from the sales mentioned in the antepenultimate paragraph of article 19.

RESOLUTION 3497/92 OF 8 MAY 1992

A Resolution on the Profits Tax Law.

Foreign beneficiaries mentioned in articles 91 and concordant articles of the Profits Tax Law of 1986, as amended, for whose Argentine source income a special treatment may have been provided in the double taxation agreements signed with other countries - insofar as they have been approved by national laws - shall be regulated by the rules herein.

Art. 2.

The subjects to whom the preceding article refers, for the purposes of accrediting the conditions whose fulfillment depends upon the recognition of such special treatments, must file a sworn declaration in accordance with the model which is indicated in the Annex which is attached to this Resolution, covering all parts thereof.

The data contained in the cited sworn declaration will have to be certified by the competent fiscal authority of the contracting State in question.

Art. 3.

The sworn declaration indicated in the preceding article, shall be filed in duplicate in the period in which the party responsible for the withholding or collection in accordance with that which is provided by General Resolution No. 2,529, as amended, is liable therefor, before the respective withholding or collection agent, who shall return the original with a voucher for its receipt to the liable party.

The sworn declaration mentioned in the preceding paragraph will have validity for the purposes of the accreditation provided in article 2, for a maximum period of 15 months from the registration date effected by the competent authority, in the case in which the same withholding or collection agent effects successive payments or charges to the same transaction - as mentioned in article 1 - duly complying with said filing at the time in which the liable party must be liable for the first withholding or collection corresponding to the transaction in question.

In the case of several withholding or collection agents, the duplicate to which the first paragraph refers may be substituted by a photocopy which shall be certified by the respective withholding or collection agent after having been checked with the original.

Art. 4.

The withholding or collection agent must keep the duplicates of all the sworn declarations which are filed monthly in accordance with the provisions in the preceding articles, and supply to this Organ the pertinent information in the manner and periods provided in General Resolution No. 3,399, as amended.

Art. 5.

In case the filing established in article 2 is not formalized, the withholding or collection agent shall effect the corresponding withholding or collection without considering the special treatment to which the mentioned article refers.

Art. 6.

When as a consequence of late accreditation of the items required in article 2, or for any other reason, withholdings or collections are paid in excess, the withholding or collection agent may refund said amount to the taxpayer thereof and offset the refunded amount with other obligations emerging from this general resolution.

For the aforementioned purposes, the withholding or collection agent must replace the original voucher of withholding or collection issued on time, by a new voucher on which the correct amount appears, as well as the repayment of the referred surplus, duly keeping the vouchers which accredit the refund and compensation effected.

In the cases in which the repayment and compensation cannot proceed due to the modality of the transaction or for other reasons, the beneficiary may present before the office of this Organization (General Taxation Office), in which his respective withholding or collection agent recorded the profits tax, the petition of accreditation and/or refund, in the terms of article 36 of Law No. 11,683, consolidated text of 1978, as amended.

Art. 7.

Filing of the sworn declaration to which article 2 alludes shall not be obligatory - except in the case provided in the second paragraph of article 3 - when the amount of the tax which must be withheld or collected finally, does not exceed the amount of \$1,000 (pesos) in the course of each calendar semester.

Art. 8.

For the purposes of the determination of the amount referred to in the preceding article the last quotation value (selling rate) of the foreign currency supplied by the Banco de la Nacion Argentina, corresponding to the working day immediately prior to that in which the drawing of the respective income is effected.

Art. 9.

General Resolution No. 3,454 shall cease to have effect as from its effective date.

Art. 10.

This general resolution shall be of application for the payments which are made as from July 1, 1992, inclusive.